



# Electricity Markets Rulemaking Chapters 173-441 & 173-446 WAC

August 17, 2023

# Introductions: Ecology Staff

- **Nick Bourgault** – Host
- **Gopika Patwa** – Rule Lead
- **Bill Drumheller** – Lead Subject Matter Expert
- **Jack Millard** – Subject Matter Expert
- **Joshua Grice** – Policy and Planning Section Manager

# Overview



**Rulemaking overview**



**Rule language context**



**Listening session**

# Rulemaking Objectives

- Identify and establish compliance obligations for entities importing electricity to Washington through centralized electricity markets
- This rulemaking will:
  - Eliminate gaps (We currently have no way to put compliance obligation on importing entity.)
  - Allow necessary data infrastructure to be put in place to track importing entities.
- Electricity markets addressed in this rulemaking:
  - Western Energy Imbalance Market
  - Extended Day Ahead Market
  - Markets + initiative underway by the Southwest Power Pool
  - Potential additional new markets
- Why now

# Rulemaking Timeline

## Rule Announcement

- Introduce rulemaking
- **Hold stakeholder meetings**
- Develop rule language
- **Hold informal public comment periods**

July 2023 – January 2024

## Rule Proposal

- Propose rule language
- **Hold public comment period**
  - Hold public hearings
  - Submit comments

January 2024 – July 2024

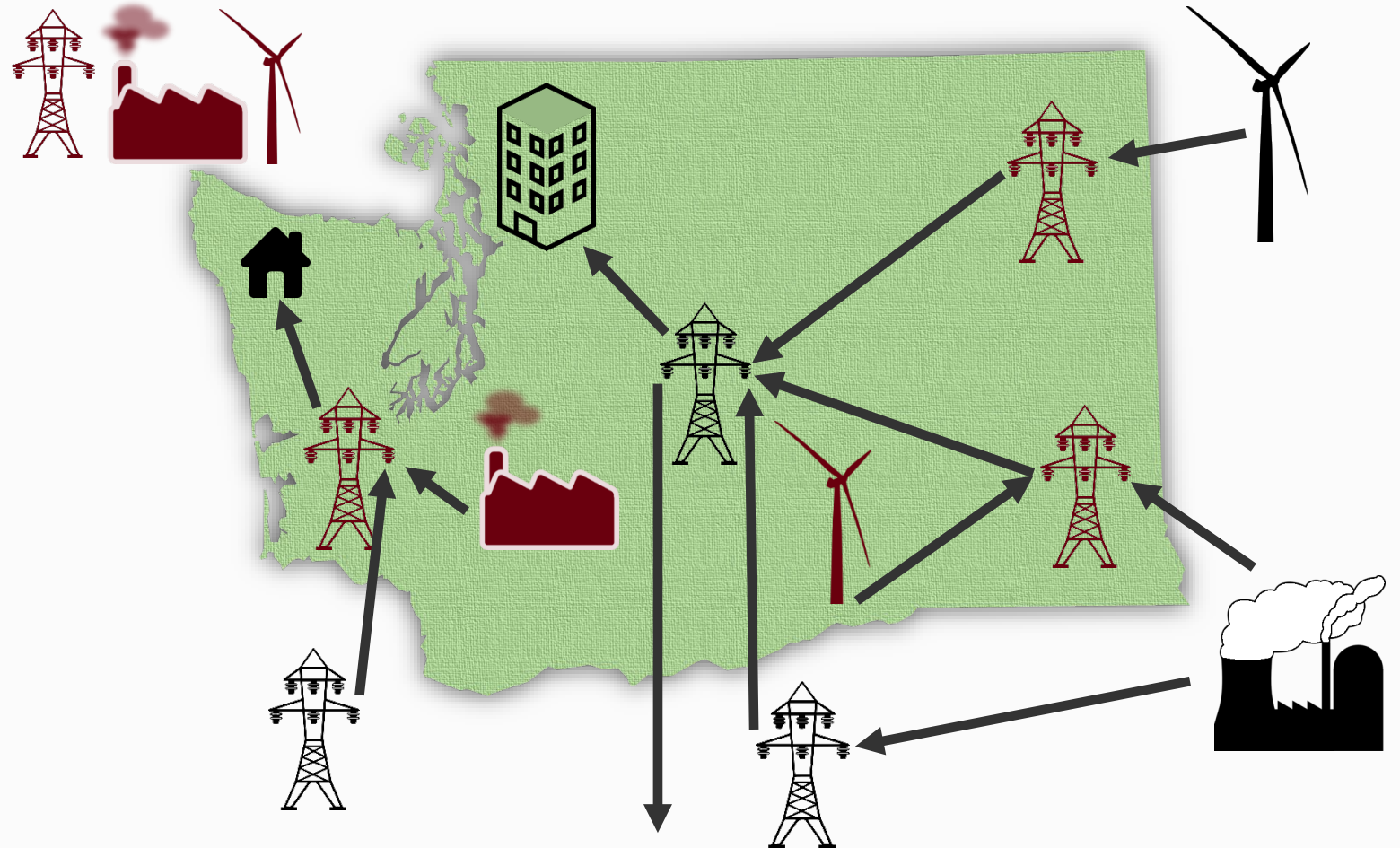
## Rule Adoption

- Adopt final rule language (CR-103)
- Concise Explanatory Statement (CES)
- Economic analysis
- Rule effective after 31 days

Anticipated July 2024

# First Jurisdictional Deliverer (FJD) Compliance

- First point of delivery in Washington
- In-state power plants
- Federal entities (BPA) not necessarily jurisdictional, so FJD is next down the line



# Mandate to Address Centralized Electricity Markets

- RCW 70A.65.080 Program coverage
- (c) Where the person is a first jurisdictional deliverer importing electricity into the state and the cumulative annual total of emissions associated with the imported electricity, whether from specified or unspecified sources, exceeds 25,000 metric tons of carbon dioxide equivalent. **In consultation with any linked jurisdiction to the program created by this chapter, by October 1, 2026, the department, in consultation with the department of commerce and the utilities and transportation commission, shall adopt by rule a methodology for addressing imported electricity associated with a centralized electricity market;**

# Climate Commitment Act: Two Key Concepts

- **Imported Electricity**

- RCW 70A.65.010 (42) "Imported electricity" means electricity generated outside Washington with a final point of delivery within the state.
  - (a) "Imported electricity" includes electricity from an organized market, such as the energy imbalance market.

- **Electricity Importer**

- RCW 70A.65.010 (27) "Electricity importer" means:
  - (c) For electricity imported through a centralized market, the electricity importer will be defined by rule consistent with the rules required under RCW 70A.65.080(1)(c).



# Implications for Rule Language

- Statute and rule language is clear that electricity from centralized electricity markets is “imported electricity.”
  - Electricity and associated greenhouse gas emissions are “covered emissions.”
  - There is no gap in coverage for these emissions, now or in the future.
  - There is currently a gap in assigning responsibility for that coverage.
- Primary purpose of rule is to clearly identify the “electricity importer” for the imported electricity coming from these markets.
  - The electricity importer is the First Jurisdictional Deliverer for that electricity.
  - The FJD bears the compliance obligation under the cap-and-invest program.
  - Electricity importer needs to be a type of legal entity (e.g., company).

# New Rule Language in Two Programs

## Cap-and-Invest Program

(Chapter 173-446 WAC)

- Replace WAC 173-446-040 Covered emissions. (3)(e)(iv) that currently only addresses EIM for first compliance period
- Add robust mechanism for addressing imports from multiple centralized electricity markets, including new markets that may emerge in future
- Potentially add new definition(s)

## Greenhouse Gas Reporting

(Chapter 173 -441 WAC)

- Add terms and definitions
- Revise definitions to broaden beyond existing EIM references
- Modify WAC 173-441-124 (3) (ii), (v), and potentially other places to expand beyond existing EIM references with new terms

# Goals for Cap-and-Invest Program

- One holistic approach to centralized electricity markets
  - Energy Imbalance Market
  - Extended Day Ahead Market
  - Markets+ (Southwest Power Pool)
  - Future market initiatives
- Consistency with First Jurisdictional Deliver compliance approach
- Compatibility in approach with potential linkage partners
- Clear identification of compliance entity with varying participation
- Availability of data infrastructure and tracking mechanisms

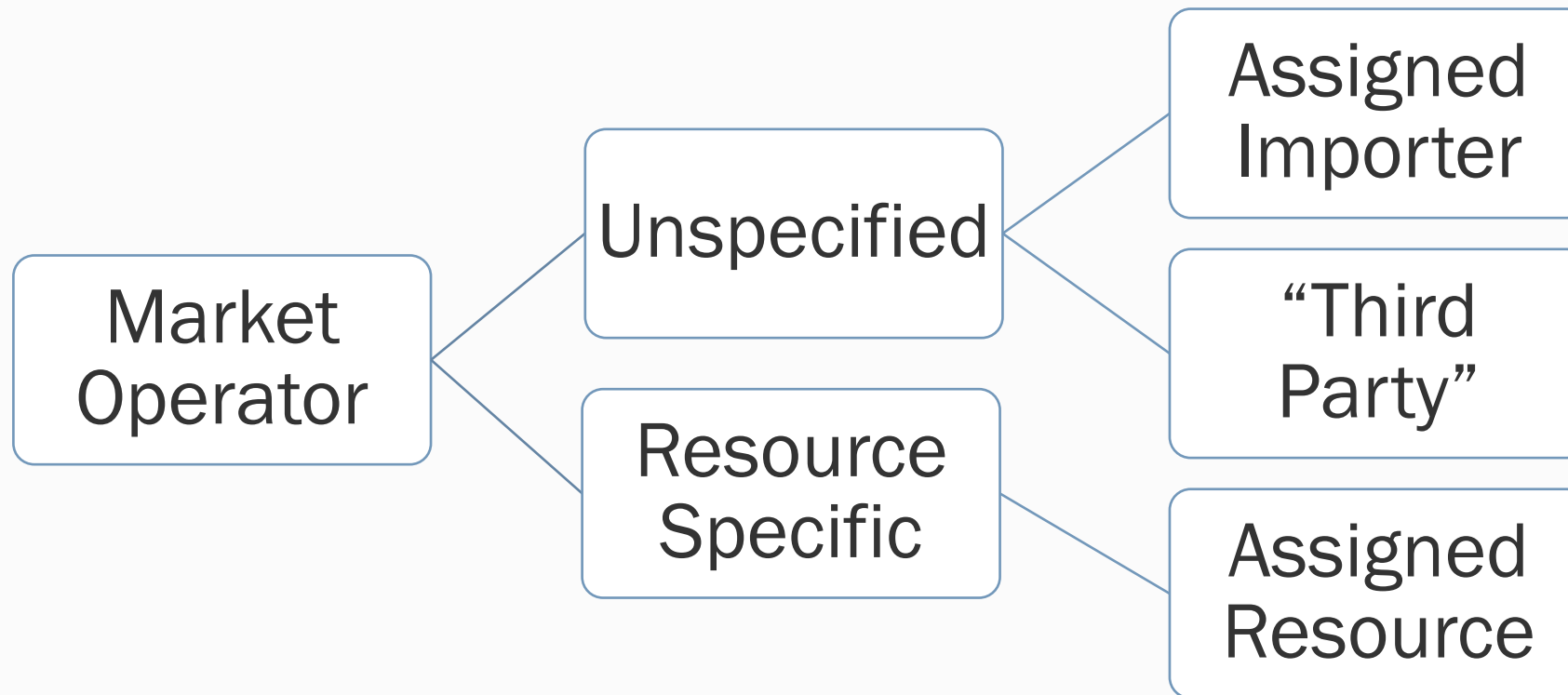
# Goals for Greenhouse Gas Reporting

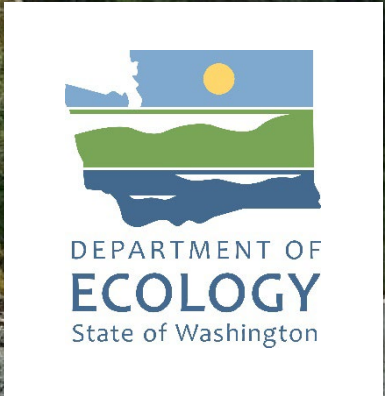
- Data foundation for greenhouse gas cap-and-invest program
- Majority of detail in rulemaking anticipated to fall in this bucket
- Link specific markets to broad terminology in cap-and-invest rule
- Collect sufficiently broad data to support multiple approaches
  - Meet informational, performance tracking, and compliance needs
  - Collect data on both front (importing) and back (purchasing) end
- Support establishment of compliance tracking data infrastructure
- Clear methods that translate to Electric Power Entity reporting tool
- Designate emissions rate(s) or methodologies for various approaches

# Concept for Electricity Importer Approach

## “Hierarchy” Approach

- “Electricity Importer” is always identified for compliance.





# Questions



# Whiteboard Listening Session

# Informal Comment Period

- Collecting initial input
- Open July 25, 2023 – August 25, 2023
- Comment online:  
<https://aq.ecology.commentinput.com/?id=9M5UaihD4>





# Next Steps

## Draft Rule Language Input Meetings

- October 12, 2023, 3 p.m. – 5 p.m.
- October 16, 2023, 3 p.m. – 5 p.m.

# Ecology Contacts

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## **Rulemaking webpage**

<https://ecology.wa.gov/regulations-permits/laws-rules-rulemaking/rulemaking/wac-173-441-446>

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