



Washington State Western Energy Imbalance Market Greenhouse Gas Enhancements

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August 22, 2022

Agenda

Time	Topic	Presenter
2:00-2:05 PM	Welcome	Isabella Nicosia
2:05-2:15 PM	Introductory Remarks	<ul style="list-style-type: none">• WA Department of Ecology• WA Utilities and Transportation Commission• WA Department of Commerce
2:15-2:45 PM	Washington State Western Energy Imbalance Market (WEIM) Greenhouse Gas (GHG) Enhancements	Anja Gilbert
2:45-2:55 PM	Additional Q&A	Anja Gilbert
2:55-3:00 PM	Next Steps	Isabella Nicosia

CAISO Policy Initiative Stakeholder Process



INTRODUCTORY REMARKS

Purpose

- The purpose of the initiative is to support Washington WEIM Entities with their required reporting of emissions pursuant to Washington Administrative Code Chapter 173-441, starting with emissions year 2022
- For emissions year 2023 and beyond, this initiative proposes enhancements the CAISO will need to make to support reporting
- As Washington cap-and-invest and reporting rules evolve, the CAISO will engage with stakeholders to reflect these changes in its market

Summary of Proposed Enhancements for Emissions Year 2023

Scope of Straw Proposal / Issue Paper Enhancements

1. **Model the Generation and Load Inside Washington State**

- Associate generation with Washington for reporting purposes
- Differentiate load as inside versus outside of Washington for reporting purposes

2. **Update Washington GHG Reference Levels**

- Revise the calculations of cost-based reference levels for the WEIM generating resources inside Washington

3. **Support Reporting**

- Support reporting by Washington WEIM Entities to the Washington Department of Ecology

1. Model the generation and load inside Washington State

The CAISO plans to update its approach to modeling generation and load to support reporting. The intent is to move from a balancing authority area (BAA) modeling construct to model generation and load to reflect state boundaries.

- The CAISO will model supply resources as inside of Washington
- The CAISO will forecast load in Washington by:
 - Splitting existing EIM Load Aggregation Points (ELAPs) and distributing demand to Custom Load Aggregation Points (CLAPs) for those BAAs that straddle the border of the state of Washington using load distribution factors

2. Update Washington GHG Reference Levels

The CAISO proposes to use Washington-specific GHG allowance prices when calculating reference levels:

- **Default energy bids** are used in the local market power mitigation process
 - In situations where participants might have the ability to exercise local market power, the CAISO may adjust a resource's submitted energy bid downward to the higher of either: 1.) the resource's default energy bid, or 2.) the competitive locational marginal price
 - Calculations would apply to the Variable Cost Option default energy bid
- **Default commitment costs** limit the bids that scheduling coordinators can submit for minimum load cost bids, start-up cost bids, and transition cost bids
 - The CAISO's market processes use these bids to determine whether to commit the resource
 - Calculations would apply to default commitment costs for both the Proxy Cost and Registered Cost methodologies

2. Update Washington GHG Reference Levels Continued

The GHG cost adder would follow the existing approach used in California:

- For generating resources registered with the Washington Department of Ecology as having a GHG compliance obligation, the CAISO will estimate the price of Washington allowances and calculate a resource-specific cost adder using registered Master File parameters (e.g. GHG emission rate)
- To estimate the allowance price, the CAISO expects to use index prices created from external vendors
- The CAISO seeks feedback on:
 - If a price is needed prior to the allowance auction in Washington in 2023
 - If a price is needed, the CAISO seeks feedback on which price is most appropriate

2. Update Washington GHG Reference Levels Continued

The GHG cost adder would then apply to both the variable cost option default energy bid and the default commitment cost calculations

- For the Variable Cost default energy bid, the calculation would be the product of the resource's incremental heat rate, the GHG emissions rate authorized by the Washington Department of Ecology, and the applicable GHG allowance price
 - This adder will then be added to the other components of the default energy bid (*e.g.* fuel costs, variable operations and maintenance costs) to arrive at the final value
- The default commitment cost calculations will include a similar GHG cost adder

3. Support Reporting: Emissions Year 2022

Background:

- Under its reporting rules, the Washington Department of Ecology will treat all transactions in the WEIM used to serve load within Washington as imported energy subject to a default emissions rate

Proposal:

- For emissions year 2022, the settlement statements provided to WEIM entities can support the data collecting requirements of Washington's reporting rules
- Current settlement statements include real-time negative imbalance energy received through the WEIM. Real-time negative imbalance energy reflects WEIM transactions used to serve electricity demand

3. Support Reporting: Emissions Year 2023

Washington State Reporting Requirement 2023	CAISO Interpretation / Data
Whether the first point of receipt is located in a linked jurisdiction	The CAISO can identify if the jurisdiction is linked or not
The amount of electricity from unspecified sources as measured at the first point of delivery in Washington state (eTag or location of the load)	The CAISO can provide net transfers to Washington
The amount of electricity imports of unspecified electricity that are netted by exports of unspecified electricity to any jurisdiction not covered by a linked program by the same entity within the same hour	The CAISO will not be able to provide total wheel-throughs, as imports and exports are not identified separately
The net amount of imported unspecified electricity after taking into account the requirements of the bullet above	The CAISO can provide net GHG transfers or imports to Washington
GHG emissions, including those associated with transmission losses	N/A; handled by Washington DOE
When the unspecified power was obtained from the energy imbalance market	Correction: should read “if” not “when” The CAISO will only provide WEIM data
Note that a reporting entity must also separately report power obtained from the energy imbalance market	The CAISO can provide total WEIM purchases by WEIM entity

WEIM Governing Body will have joint authority on Washington State WEIM GHG Enhancements

- This initiative proposes to: 1.) generation with Washington to support reporting 2.) model Washington load to support reporting 3.) update Washington reference levels to reflect Washington GHG compliance costs 4.) develop reports for Washington WEIM Entities
- Some WEIM balancing authority areas are subject to these enhancements
- Stakeholders are encouraged to submit a response to the WEIM classification of this initiative in their written comments

ADDITIONAL Q&A

Next Steps: Proposed Timeline

Date	Milestone
August 17, 2022	Publish issue paper / straw proposal
August 22, 2022	Joint Stakeholder Workshop: <ul style="list-style-type: none">• WA WEIM Entities• WA Department of Ecology• WA Utilities and Transportation Commission• WA Department of Commerce
September 6, 2022	Stakeholder comments due
September 21, 2022	Publish revised straw proposal / draft final proposal
September 28, 2022	Stakeholder meeting
October 11, 2022	Stakeholder comments due
October 25-26 2022	Joint CAISO and WEIM Board of Governors meeting
Early 2023	Implementation

Comments

- Stakeholders are asked to submit written comments by September 6, 2022 through the commenting tool.
- A comment template will be posted on the ISO's initiative webpage: <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Washington-WEIM-greenhouse-gas-enhancements>