

July 30, 2025 VIA ELECTRONIC SUBMISSION
Attention: Camille Sultana, Rulemaking Lead
Washington Department of Ecology
Department of Ecology Air Quality Program
P.O. Box 47600
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RE: June 26, 2025, Cap-and-Invest Electricity Forum: Electricity Imports and Centralized Electricity Markets

The California Independent System Operator Corporation (ISO) submits these comments in response to questions from the Washington Department of Ecology's (Ecology) June 26, 2025 cap-and-invest centralized electricity market public workshop (Workshop). The ISO remains ready to support Ecology's program development.

Background:

The GHG attribution mechanism used in ISO-administered markets assigns megawatts (MW) of imports into a GHG-pricing area to specific external supply resources based on voluntarily submitted GHG bid adders. This mechanism enables resources located outside the GHG-pricing area to reflect the cost of complying with state carbon-pricing programs in their market offers. In contrast, resources located within a GHG-pricing area incorporate their compliance costs directly into their energy bids. When there are net imports into the GHG regulation area, the market optimally attributes those imports to the external resources that submitted bids with a GHG adder, ensuring that total supply serving load is accurately accounted for in accordance with GHG pricing rules in a GHG regulation area.¹

Options for WEIM/EDAM treatment in Calendar Year 2026:

In the Workshop, Ecology staff highlighted that the WAC 173-441-124 December 2024 update maintained a "report-only" approach for Western Energy Imbalance Market (WEIM) through calendar year 2026. This would mean there would not be a compliance obligation, and thus it would be unnecessary to reflect a GHG cost in the market and leverage the GHG attribution mechanism in 2026. Instead, market purchases would only be reported. This Ecology "report only" approach for 2026 was only applicable to WEIM, and not the Extended Day-Ahead Market (EDAM). Ecology outlined four possible approaches for stakeholders to consider.

¹ Please see the EDAM Tariff which will be effective with EDAM go-live:
<https://stakeholdercenter.caiso.com/InitiativeDocuments/FERC-Approved-Tariff-Language-Extended-Day-Ahead-Market-and-Day-Ahead-Market-Enhancements.pdf>

Below the ISO responds to the options presented by Ecology under two readings of the rulemaking. Interpretation 1 assumes that the “report only” approach applies to the market (*i.e.*, WEIM real time market). Interpretation 2 assumes that the approach applies to the entity (*i.e.*, WEIM entity or EDAM entity).

Interpretation 1: The “report-only” approach applies to the market

If the rulemaking language should interpret “WEIM obligation” as the real time obligation, then the rulemaking language effectively exempts all EDAM and WEIM entities from a compliance obligation in calendar year 2026.

The final attribution and settlement for EDAM and WEIM ultimately occur in real time—within the WEIM. In effect, EDAM day ahead schedules roll over to become WEIM real time dispatch instructions once real-time operations begin. Although EDAM produces financially-binding forward schedules which are settled in the market, it is the WEIM that executes final dispatch decisions and settles real-time energy deliveries to load.

Because of this link between the day ahead and real time, any exemption from GHG compliance for WEIM in 2026 functionally exempts all imports serving Washington load, regardless of whether they were scheduled in EDAM or not.

If this is the appropriate interpretation of the rulemaking language, the ISO can pause GHG attribution for 2026 and implement it when Ecology is ready in 2027. To accommodate this outcome, the ISO needs to know as soon as possible that Ecology will exempt all EDAM and WEIM entities from a compliance obligation in calendar year 2026.

Interpretation 2: The “report-only” approach applies to the entity

If the rulemaking language refers to “WEIM obligation” as the WEIM entity obligation, then the options Ecology presented warrant feedback under that reading.

- Option A: If Ecology elects to remove the current exemption for WEIM entities for Calendar Year 2026, meaning there would be a compliance obligation, the ISO remains ready to implement the GHG attribution design for transfers into Washington’s GHG regulation area, as was planned for WEIM and EDAM entities with EDAM go-live in Spring 2026.
- Option B: If Ecology pursues an emergency rulemaking to add an exemption for EDAM entities for 2026, the ISO can delay implementing its GHG design for transfers into Washington’s GHG regulation area. The ISO needs to know as soon as possible that Ecology will exempt EDAM entities from a compliance obligation in calendar year 2026. The ISO will also need sufficient notice (*i.e.*, at least three months’ advance notice) when Ecology is ready to activate its program.

- Option C: If Ecology does not proceed with an emergency rulemaking and only provides guidance to the ISO to not implement its GHG design for the State of Washington GHG regulation area in 2026, the ISO can delay implementing its GHG design for transfers into Washington's GHG regulation area. The ISO needs to know as soon as possible if the GHG design for the State of Washington should not be implemented for calendar year 2026. The ISO will also need sufficient notice (*i.e.*, at least three months' advance notice) when Ecology is ready to activate its program.
- Option D: If Ecology does not take action and the GHG bid adder design, and only the EDAM entities within and external to Washington face a GHG cost of compliance, there are market impacts associated with the Washington policy of asymmetric treatment of carbon costs. The table below highlights that resource A subject to GHG compliance reflected in the market appears comparatively more expensive than similarly situated gas resources that participate in the WEIM, like resource B (also in WA) or resource C (outside of WA). This would result in the market outcome that treats similarly situated resources differently, depending on if they were represented by either EDAM or WEIM entities.

	Resource A	Resource B	Resource C
EDAM or WEIM	EDAM	WEIM	WEIM
Resource Type	Gas in WA	Gas in WA	Gas in OR
Energy Bid	\$20/ MWh	\$20/ MWh	\$20/ MWh
GHG Cost Reflected (embedded in energy bid when in WA, separated as a GHG bid adder when external)	\$4/ MWh	\$0/ MWh	\$0/ MWh
Total Bid	\$24/ MWh	\$20/ MWh	\$20/ MWh

Implementation Considerations for Options B and C:

From an implementation perspective, both options B and C both result in not having a GHG attribution framework in calendar year 2026. This means internal resources would not reflect a GHG cost of compliance in their energy bid. Resources external to Washington's GHG regulation area would not need to submit a GHG bid adder reflective of the cost of compliance with the GHG program associated with attributed imports to Washington. Absent a GHG attribution framework, there would not be GHG transfers into Washington's GHG regulation area and thus no source-specific reporting on what transfers served Washington load.

Secondary Dispatch and Emissions Leakage:

The potential for secondary dispatch arises when resources outside of a GHG regulation area receives an attribution to serve demand within a GHG regulation area, are backfilled to serve demand in the outside area. This backfill could be from a higher or lower emitting resource. EDAM and the WEIM have measures in place to reduce the potential for secondary dispatch.

At its Workshop, Ecology suggested one possible approach to account for the atmospheric impact of its program: CARB's proposed revisions to the Outstanding Emissions Calculation, as represented by the following formulas:

- *EDAM: Reported MWh limited to annual generation attributed below the difference between the Day Ahead (DA) energy schedule and DA GHG award*

$$CO_{2eEDAM} = MWh_{below(DA \text{ energy schedule} - DA \text{ GHG award})} \times EF_{unsp} \times TLF$$

- *WEIM only: Reported MWh limited to the annual generation attributed below the base schedule*

$$CO_{2eWEIM} = MWh_{below \text{ base schedule}} \times EF_{unsp} \times TLF$$

If Ecology elects to mirror CARB's proposed revised Outstanding Emissions Calculation, the ISO can provide supporting data—subject to appropriate confidentiality protections or in aggregated form. The ISO and Ecology would need to coordinate on the appropriate methods and frequency for sharing this information to support the calculation.

The ISO appreciates Ecology's efforts in the Electricity Forum and responsiveness to stakeholder feedback.

Sincerely,

Sincerely,
/s/ Anja L. Gilbert
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