
Thinking Optimistically

As America races toward the Presidential election in November, it's hard to escape the feeling that everything is bad, including our entire political process.

The seeming imperative for political discussion on almost any subject is framed in either a “red” or “blue” context that is often depressing in its simple-mindedness. Our industry’s nerdy discussions on things like resource procurement or transmission development – when discussed in mainstream media – are often analyzed by how they fit into the larger national political narrative. It makes work on creating a procurement policy even more complicated to navigate, both from a policy and investment perspective.

However, let me point out a few glimmers of hope.

FERC Commissioner Alison Clements noted late last year that she would not seek renomination after her current term ends on June 30. It was feared that the national political climate wouldn't allow for a successful nomination to replace her, and thus the Commission would lose a quorum. That would mean that FERC would be limited in issuing orders on contested cases. However, many of us were surprised when the White House offered three nominees to fill the upcoming vacancies – two Democrats and one Republican – that had the support of enough Senators to be approved on a bipartisan basis. How did that happen so easily?

Ranging closer to our Western region, the movement toward regional market integration marches on; 1) FERC approved the Extended Day-Ahead Market tariff offered by CAISO; 2) SPP filed a tariff for its own “day-ahead” market offering “Markets+” with generally positive comments; 3) the effort to reform governance of CAISO known as “Pathways” laid out proposals that appear to be making a regional market that includes California acceptable to more transmission owners.

While energy policy is still subject to being put into simplistic “red vs. blue” narratives nationally, we seem to be able to make progress in the West. That doesn't mean there's complete harmony at state, local or customer levels, but the urgency to integrate our region – both for reliability and policy reasons – seems to have broad support.

The method and platform for integration will be hotly debated over the next several months. Will the seam created between two regional markets drive decisions on market selection? What is the ultimate configuration of the West?

There are other controversies below the surface of this hopeful picture I just painted. You can read about these areas of contention, debate and disagreement in the following reports from our excellent Committee Chairs.

I felt the need to add some optimism and fight the “we are doomed” zeitgeist that can sometimes seem overwhelming.

Scott Miller

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Save the Date

Check the WPTF website for all the details.

2024 Summer General Meeting
Big Sky Resort, Montana
August 21 - 23

CALIFORNIA LEGISLATIVE COMMITTEE

Jesus Arredondo

WPTF Legislative Committee consultant is Jesus Arredondo. Jesus is the principal and founder of Advantage Government Consulting LLC and has over 19 years of experience in media and government relations, including concentrated experience in energy policy. Prior to launching Advantage Consulting, Jesus worked as a senior advisor for two major public relations firms in the United States and Mexico. Jesus also served as a policy advisor to a major California transmission project, principal advisor on an education effort in California concerning natural gas and on a national education campaign concerning the FERC's push for standard market design. Before launching Advantage Consulting, Jesus was a bilingual spokesman for two California governors and served five years as director of regulatory and government affairs for a fortune 250 independent power producer and two years at the California Power Exchange, where he served as director of corporate communications.

The Budget and Bond Dance

June 27 is the deadline for Gov. Gavin Newsom and the State Legislature to have a signed state budget, which is the same day bond measures have to be agreed upon, if they are to be placed on the November ballot.

As of this report, there was still no decision on two potential bond measures to fund various climate change ideas. On the budget, there's been no decision on a \$400 million allocation to fund SB 864, that would allow PG&E to continue working to keep Diablo Canyon operational for another 10 to 20 years. While funding that will allow SB 253 and SB 261 to be implemented by the California Air Resources Board (these are bills previously approved and would impose emissions disclosure on almost all companies doing business in California).

Will Climate Bonds Make the Ballot?

Still very much in play as potential ballot measures are two legislative bond proposals. [AB 1567 \(Garcia\) Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, Clean Energy, and Workforce Development Bond Act of 2024](#) and [SB 867 \(Allen\) Drought, Flood, and Water Resilience, Wildfire and Forest Resilience, Coastal Resilience, Extreme Heat Mitigation, Biodiversity and Nature-Based Climate Solutions, Climate Smart Agriculture, Park Creation and Outdoor Access, and Clean Energy Bond Act of 2024](#) are the Assembly and Senate climate bond proposals. Negotiations are

ongoing between the two houses and the Governor, and there is no consensus on what should go into a climate bond or ultimately if a bond should go on the November ballot.

Buried in the bond proposals could be as much as \$15 billion to fund transportation electrification, transmission to connect renewable generation, and offshore wind infrastructure funding.

As Deadlines Loom, Budget Negotiations Continue

As if the June 27th deadline for ballot measures and bonds isn't already a major deadline, it also happens to be deadline for the Governor to act on [AB 107 \(Gabriel\) Budget Act of 2024](#). Negotiations on a final budget deal between the Legislature and the Governor continued this week, without any real movement. With June 27th looming (and the beginning of the new fiscal year) legislators anticipate amending and taking up on the floor amendments to AB 107 along with dozens of implementing budget trailer bills.

Key Pending Issues for Energy:

\$400 Million for Diablo and Funding to Implement CARB Reporting

Diablo Canyon: Earlier this year, the Legislature rejected Newsom's bid to include another \$400 million in the state budget for PG&E, in a political standoff that began in 2022 with a bargain to keep the Diablo Canyon Power Plant open.

In 2022, Newsom cut a \$1.4 billion deal to keep the nuclear plant operational until 2030 amid record summer temperatures and a budget

surplus. Last week the legislative leaders cut the money from their budget, citing the state's deficit.

In hearings, lawmakers raised concerns that the state may never be paid back for hundreds of millions in loans to PG&E despite promises of reimbursement — at a time when core government services are being cut.

The federal government is only partially covering the loan, with specific terms attached, and lawmakers are concerned that the ultimate hit to California's general fund could be up to \$659 million.

Senator Ben Allen was the loudest critic, saying during a budget committee hearing that *"it feels like we're being taken advantage of here. A lot of the terms that we were sold have not been fulfilled by the administration. We were all asked to support it although many of us didn't want to ... and now we're being asked for this loan with conditions I'm not clear on."*

The budget process was a less worrisome affair in 2022, when, at Newsom's urging, the Legislature approved \$1.4 billion in loans to keep the Diablo Canyon plant open to help maintain reliability of the state's power grid. PG&E had been preparing to shutter it in 2025.

SB 846 authorized \$600 million from the state's general fund to keep the plant open with a plan to approve the rest later. PG&E was expected to repay the state loan with a federal grant from the Department of Energy.

But the federal grant amounted to a maximum of \$1.1 billion. Of that, \$741 million can be used to cover expected operating losses at the plant through 2026. The other \$359 million will not be provided unless PG&E demonstrates an unscheduled outage.

Now Newsom is urging lawmakers to approve a final \$400 million loan disbursement to the utility, an amount that lawmakers say will unfairly be left to taxpayers and could grow next year. At the time of the deal, Newsom argued that allowing Diablo Canyon to provide electricity until 2030 is needed to preserve grid reliability as California transitions to renewable energy and weans itself off fossil fuels.

CARB Implementation of SB 261 and SB 253: [SB 253](#), the Climate Corporate Data Accountability Act, will mandate disclosure of greenhouse gas emission data by all U.S. business entities whose total annual revenues exceed one billion dollars and "do business in California."

SB 253 SEC. 2(b)(2). SB 253 does not define the term "do business in California," but other California statutes define the term very broadly. For example, under California's Corporations Code, a company does business in California by "entering into repeated and successive transactions of its business in [the] state, other than interstate or foreign commerce." [Cal. Corp. Code §191\(a\)](#). The Revenue and Taxation Code defines "doing business" as "actively engaging in any transaction for the

purpose of financial or pecuniary gain or profit." [Cal. Rev. & Tax. Code §23101\(a\)](#). While SB 253 does not define "do business in California," future implementing regulations may. In the meantime, absent a definition, the plain meaning applies. Thus—arguably—any company with an annual revenue of \$1 billion or more, regardless of where it locates its headquarters or conducts most of its business, is subject to SB 253 if it does any business in California.

Businesses will have to [report](#) Scope 1 emissions (direct greenhouse emissions) and Scope 2 emissions (indirect greenhouse emissions) starting in 2026, and Scope 3 emissions (indirect upstream and downstream greenhouse emissions) starting in 2027. SB 253 does not limit the emissions reports to California operations. Companies must report their Scope 1, 2, and 3 greenhouse gas emissions "from sources that a reporting entity owns or directly controls, regardless of location..." SB 253 at SEC. 2(b)(3) (emphasis added). This is a significant requirement, as covered entities must track and report on their emissions worldwide. SB 253 will apply to an [estimated](#) 5,300 companies.

[SB 261](#), the *Greenhouse Gases: Climate-related Financial Risk Act*, will require companies with more than \$500 million in annual revenues to disclose their [climate-related financial risks](#) and measures they have adopted to reduce and adapt to those risks. Like SB 253, the act will apply to all public and

private companies above the revenue threshold doing business in California. The law requires companies to prepare their reports following the Task Force on Climate-related Financial Disclosures ([TCFD framework](#)), with the first disclosures [due](#) in 2026.

The [statement](#) will disclose a company's climate-related financial opportunities and risks in a standardized format. The TCFD framework is global in scope and applies to a business's total operations, regardless of location. SB 261 will affect an [estimated](#) 10,000 companies.

Will this be litigated? Most likely. However, the outcome is uncertain.

Some Key Dates

- ✓ 7/3 Summer Recess begins upon adjournment provided Budget Bill has been passed (J.R. 51(b)(2)).
- ✓ 8/5 Legislature Reconvenes from Summer Recess (J.R. 51(b)(2)).
- ✓ 8/31 Last Day for each house to pass bills. (Art. IV, Sec. 10(c), (J.R. 61(b)(17)).
- ✓ 8/31 Final Recess begins upon adjournment (J.R. 51(b)(3)).
- ✓ 9/30 Last Day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).

CPUC COMMITTEE

Gregg Klatt

Gregg Klatt coordinates the CPUC Committee. Gregg is a practicing attorney with over 20 years of energy industry experience. With a practice focused on state and federal regulation of the electric power and natural gas industries, Gregg has represented clients in numerous rulemaking proceedings before the CPUC, CEC and CARB. He advises energy companies concerning regulatory requirements affecting their product and service offerings. He represents generators, marketers and retail suppliers in licensing, compliance and enforcement matters. And he provides regulatory counsel in energy-related transactional matters, including procurement contracting, resource development and repower projects, asset dispositions, and related financing arrangements. Gregg received his J.D. from UC Berkeley's School of Law and has a B.A. in History from the University of San Francisco.

Slice-of-Day: “Damn the torpedoes, full speed ahead!”

In a decision issued earlier this month, the CPUC confirmed that full implementation of Slice-of-Day will proceed with the 2025 compliance year. That means CPUC-jurisdictional load-serving entities (LSEs) will need to meet 24 hour-specific system resource adequacy (RA) requirements for each compliance month. This despite the ardent requests by SCE, SDG&E, and major advocacy groups to delay full implementation for at least another year, while new resources come online and tight supply conditions ease.

The Commission also declined to adopt any type of waiver process for system RA penalties. And it declined to allow LSEs to cure any year-ahead system procurement deficiencies, thereby avoiding sanction, up until the start of the applicable compliance month. (This comes on the heels of the Commission's rejection of rehearing requests with respect to its decision from last June providing that direct access service providers and community aggregators that fail to meet their RA requirements will be barred from adding new customers for at least two years. And its denial of appeals of system RA citations in which the LSEs claimed “commercial impracticability” and/or “impossibility” as affirmative defenses.)

The Commission did, however, throw the LSEs a couple of bones. For one thing, the Commission adopted a proposal “to allow new resources with a COD after T-30 and before the start of the RA compliance month

(T-1) to count towards that month's RA compliance.” This means that LSEs will no longer have to wait at least 45 days after a new resource comes online before claiming it for RA compliance. As this rule change went into effect immediately, it should provide LSEs with some relief not only for the 2025 compliance year but also this summer.

The Commission also adopted a proposal to exempt imports from “an aggregation of physically linked resources, such as those owned by BPA [sic],” from the bidding rules for non-resource-specific imports. As those rules preclude marketers of non-resource-specific imports from making economic bids into the CAISO's day-ahead and real-time markets for the highest net-peak hours, the exemption, which went into effect immediately, could materially increase the imports that are made available to California LSEs this summer and the next.

Last, but not least, the Commission adopted a proposal to allow LSEs to count off-peak import energy toward their system RA requirements under the SOD framework, regardless of whether the import is paired with the on-peak import on a specific branch group. That means LSEs will be able to utilize contracts for off-peak imports to fill at least some of the hourly “gaps” they might otherwise have in their SOD compliance showings.

But even with the aforesaid relief measures, I think it's safe to say that, at least for the next year or two, the most stressful job in our sector will be Director – Western Procurement.

CPE Framework: “At least you tried!”

Ironically, the Commission’s decision to move ahead with Slice-of-Day came just weeks after it released a damning staff report on the previous major change it made to the RA program’s structure.

Back in 2020, the Commission adopted a centralized procurement framework for local RA capacity, and designated PG&E and SCE as the central procurement entities (CPEs) for their respective TAC areas, starting with the 2023 compliance year.¹ Under the CPE framework, LSEs in the PG&E and SCE TAC areas are no longer allocated local RA requirements; instead, the PG&E and SCE CPEs are charged with procuring the local resources needed to meet those requirements.

The framework includes various mechanisms for local resources that have been procured by LSEs to be “self-shown” to the CPEs and thus counted toward the CPEs’ local RA requirements. And the CPEs also conduct market solicitations. But they can decline bids they deem to be priced “unreasonably high,” and can defer any resulting deficiencies to the CAISO’s backstop procurement mechanisms.

The PG&E and SCE CPEs held their first solicitations in 2021, for their 2023 and 2024 local RA requirements. (The Commission adopts local RA requirements each year for the following three compliance years.) The CPEs held their second solicitations in 2022 (for the 2023, 2024 and 2025

compliance years). And they held their third solicitations last year.

The SCE-CPE has largely met its local RA requirements in each procurement cycle, at least for the first and second compliance years. In contrast, the PG&E-CPE has had very large deficiencies coming out of all three solicitations (exceeding 4,000 MW in some months), which it has then deferred to the CAISO for backstop procurement. To date, however, the CAISO has not performed any such procurement.

Before the staff report dropped, stakeholders mostly had to speculate as to why the PG&E-CPE’s procurement efforts have been so spectacularly unsuccessful, and also as to why the CAISO has not performed any backstop procurement despite the enormity of the resulting local RA procurement deficiencies. But now we know.

In line with common speculation, the report finds that “[t]he near-term tight supply and demand balance has caused capacity prices to increase substantially for both existing and new generation, leading local generators to forego multi-year local contracts with CPEs and instead contract with individual LSEs for system capacity RA obligations.” No surprise there.

But the report’s findings also include these unexpected gems: Participation in the PG&E-CPE’s solicitations has been abysmally low. CAISO has not performed any backstop procurement for the PG&E-CPE deficiencies because the resources needed to fill the

deficiencies were already under contract. Very few local resources under contract to LSEs have been self-shown for compensation (likely due in large part to the miniscule amount of compensation they would have received under the applicable rules). And the SCE-CPE’s requirements have largely been met with resources that SCE itself has self-shown for no compensation.

Given these outcomes, the staff report presents three options for the Commission to consider: (1) retain the CPE Framework with modifications to address known issues; (2) repurpose the CPE framework to focus on areas of concern, such as the retention of large gas-fired resources that likely need long-term contracts until retirement and/or the procurement of new resources that will be needed as existing resources are retired; or (3) dismantle the CPE framework and either revert to the pre-CPE framework or eliminate local RA procurement obligations entirely.

Over the coming months, the Commission will be considering these options, as well as WPTF’s proposal to limit the role of the CPEs to backstop procurement of any local resources that are not already under contract to LSEs and are needed to meet local RA requirements, with a final decision expected by the end of the year or next June at the latest.

¹ The Commission did not adopt a CPE framework for the SDG&E TAC area.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO) COMMITTEE

Carrie Bentley

Carrie Bentley is the co-founder and CEO of Gridwell Consulting and has over a decade experience in the energy industry across the ISO/RTO markets. Ms. Bentley currently provides analysis and strategic support on “all things California ISO,” including transmission, interconnection, capacity, storage assets, and the energy markets. Prior to becoming a consultant, Ms. Bentley most recently had been acting as a lead market design and regulatory policy developer at the CAISO, leading design and stakeholder initiatives in critical areas such as flexible ramping, resource adequacy, and renewable integration. Prior to the CAISO, Ms. Bentley was a consultant for GDS Associates, an engineering and economics consulting firm where she specialized in power supply contracting, natural gas hedging, and energy market design for a large range of clients in ERCOT, PJM, MISO, and SPP.

The Role of the California ISO in Reliability Planning

CAISO recently finalized their plan to move forward with a substantive initiative to reform their Resource Adequacy rules and processes. Before jumping into a description of their plan; however, it is important to consider the CAISO’s role in Reliability Planning.

At the June 18, 2024 CAISO RA Working Group, I [presented](#) on behalf of WPTF on the importance of the CAISO’s engagement in reliability. There are now arguably five different California agencies overseeing elements of the state’s reliability program that’s meant to ensure there’s sufficient capacity to meet demand in all but extreme circumstances. The overlapping and complex responsibilities lead to an extremely complex system, and concerningly, no single agency is clearly in charge of ensuring all the pieces work together holistically to ensure a reliable CAISO Balancing Authority Area (BAA). WPTF argues in the presentation that the CAISO must step up and not assure all the pieces are working together and do its own analysis of their BAAs reliability.

This is imperative because reliability planning is only getting more complicated. Climate change and the state’s reaction to prevent climate are both making predicting peak load harder. This is because the West is growing hotter with increasing heat

domes, at the same time rapid amounts of behind the meter capacity is being built. Thus, if the heat dome coincides with the behind the meter resource capability – primarily solar – then demand the CAISO has to account for remains aligned with historic averages. If the heat persists past solar capabilities, the CAISO could experience unprecedented peak demand that it must meet with wholesale resources. We saw the CAISO experience the latter in 2022 when peak demand reached 52,000 MW and experienced extreme edge conditions that left them very close to employing rolling brown outs to keep the lights on. It is this variability from year to year that makes planning so challenging. Recent peak demand is so significantly higher than the average peak, the state and CAISO must calibrate planning processes for climate change or risking blacking out every time there is a heat dome across the west.

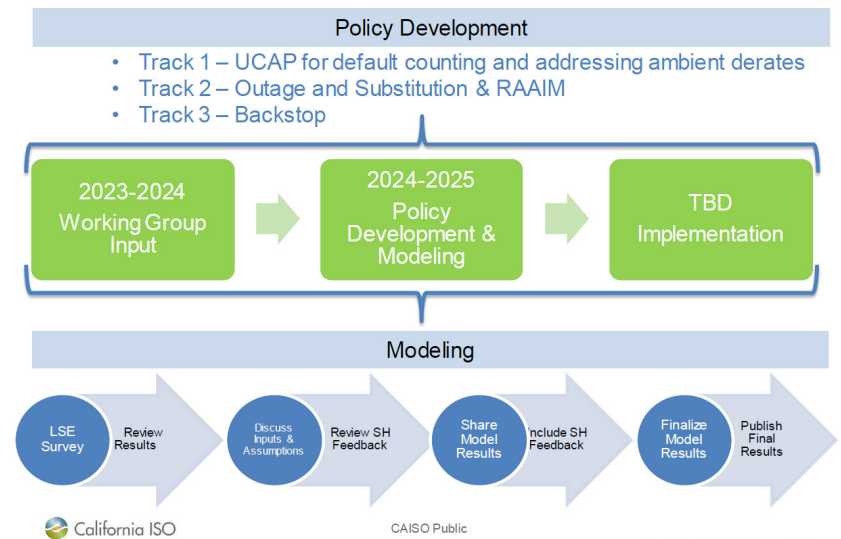
One key component of planning that solely rests within the CAISO’s authority is whether resources are allowed to mothball, retire, convert to other resource types, or leave the BAA. Currently the CAISO has a rather blackbox process with no transparency to determine whether resources that want to exit or modify their Participating Generator Agreement (PGA). This process must be updated prior to the upcoming inevitable natural gas retirements as they age, or

as storage and other resource types displace them economically. While we do not expect this to happen in substantial amounts for a few years, the process should be set up well in advance of when resources want to retire or modify. The CAISO’s reliability studies on the feasibility of retirements of 24-hour capable resources will be key in driving incentives for gas plants to invest in maintenance or new technologies like carbon capture and hydrogen fuel blending.

WPTF believes the path forward for the CAISO must be to begin doing advanced modeling of their own BAA and use these studies as a jumping off point, not just for the above issues, but the many updates needed to the very outdated RA program. And the CAISO plans on doing just that within a three-track initiative.

Track 1 focuses on modeling, default tariff rules, and lightly touches on resource RA accreditation which will move forward with Loss-of-Load Expectation Modeling, updating default planning reserve margin and counting rules, explore using UCAP in collaboration with the CPUC and other LRAs, and consider how ambient derates due to temperature should be considered within the RA program.

Track 2 addresses outages, substitution, and availability. This policy track aims to reform outage and substitution processes to



enhance incentives for ensuring capacity availability at critical times and locations. The key objectives are to create incentives for Load Serving Entities (LSEs) to disclose all contracted Resource Adequacy (RA) capacity and to evaluate appropriate timing and methods for allowing resource owners to perform necessary maintenance. Additionally, this track will review the ISO’s current Resource Adequacy Availability Incentive Mechanism (RAAIM) to determine if it requires reform or removal, taking into account the incentives related to outages, substitutions, and updates to resource counting rules.

Track 3 will focus on several critical topics. First, it will enhance transparency in the initial Capacity Procurement Mechanism (CPM) by providing clearer insights into available backstop capacity and ideally making these more

transparent to the market. Second, it will undertake a comprehensive review of options for reforming backstop procurement to better align with RA market dynamics and reliability requirements. Additionally, the track will explore medium and long-term solutions related to the ISO Balancing Authority Area (BAA) Resource Sufficiency Evaluation (RSE). This includes addressing potential deficiencies in the Extended Day Ahead Market (EDAM) RSE within the CAISO BAA and more accurately assigning costs associated with ISO BAA RSE failures.

These tracks will be worked on in parallel; however, the CAISO plans to begin with Track 1 and focus on it throughout the remainder of 2024.

WIDER WEST COMMITTEE (2WC)

Caitlin Liotiris

Caitlin Liotiris is a Principal at Energy Strategies, where she has more than 15 years of experience supporting a wide range of clients in the electricity sector, including supporting market analyses and transmission development activities. Caitlin coordinates WPTF's Wider West Committee (2WC), which engages on market, policy, reliability and technical developments in the "wider West," generally outside of California. The 2WC is active in advocating for broader western energy markets, which includes active participation in the NorthWest Power Pool's Western Resource Adequacy Program (WRAP), and in coordination with the CAISO Committee on the EIM and EDAM, especially as they relate to tariff provisions and impacts outside of the CAISO. Caitlin brings her analytical, regulatory, policy and strategic expertise to bear in supporting 2WC members by providing information and advocacy on a wide variety of issues affecting the electricity industry.

WPTF Comments on PacifiCorp's Proposed Tariff Amendments to Implement the Extended Day-Ahead Market (EDAM)

The development of EDAM continues to move forward, with a number of key recent developments including: final Federal Energy Regulatory Commission (FERC) approval of the EDAM Access Charge, expansion of the footprint with the public announcement that NV Energy intends to pursue EDAM participation, and the initiation of EDAM Entity tariff development.

WPTF's Wider West Committee (2WC) is monitoring and advocating in a variety of ways. Most notably, our advocacy and involvement has picked up with the release of the proposed EDAM tariff revisions from PacifiCorp.

While the CAISO EDAM tariff is now fully approved, a number of key details regarding how generators and loads are treated outside of the CAISO will be developed through the EDAM Entity tariffs of participants, like PacifiCorp. And PacifiCorp recently released its initial proposed tariff changes to implement EDAM (consisting of three different documents: [tariff changes](#), [ancillary service schedule changes](#), and revisions to [Attachment T](#)). The proposed tariff revisions outline a number of key policy proposals that were left up the EDAM Entities (such as PacifiCorp) under the CAISO tariff. They highlight how PacifiCorp plans to treat key interactions between

the Open Access Transmission Tariff (OATT) and the CAISO EDAM tariff, and leave a few open questions which will need to be worked through as the revisions move toward a filing with FERC this fall. The 2WC recently commented on the proposal, seeking clarification and suggesting improvements to enhance the efficiency of, and overall benefits offered from, EDAM.

The draft PacifiCorp tariff highlights that all resources and loads taking service under the PacifiCorp OATT will be required to participate in EDAM (and also in the real-time Western Energy Imbalance Market or WEIM). In other words, there will no longer be an option to be a "non-participating resource" as there is under WEIM today. While PacifiCorp's draft tariff language requires all resources (including storage) to participate in EDAM, there is a lack of clarity around how energy storage's grid charging will be treated (e.g., will energy storage be permitted to submit charging bids and charge at EDAM wholesale market rates). WPTF's comments urge PacifiCorp to clarify the language and to explicitly permit energy storage resources to charge at wholesale market rates in EDAM, given the significant benefits that would be provided. Allowing energy storage resources to charge at wholesale rates is critical to maximizing EDAM's benefits, incenting storage development (and, therefore, improving reliability) also meets the intentions that FERC has established for energy storage participation in day-ahead wholesale markets through Order 841.

Before the draft tariff was published, there were a number of uncertainties around how EDAM's structure would interact with the ancillary service schedules currently in the OATT. The draft OATT outlines that PacifiCorp plans to continue requiring entities to purchase most ancillary services under the OATT. This includes Schedule 3 (Regulation and Frequency Response), and Schedules 5 & 6 (Operating Reserves). And with PacifiCorp providing these ancillary services, it also plans to take responsibility for meeting those requirements under the EDAM Resource Sufficiency Evaluation (RSE). But other services will only be provided and charged for by PacifiCorp when the EDAM or EIM is not in operation. Specifically, both load and generator imbalance (Schedule 4 and 9) will not be settled through the OATT when the EDAM and EIM are in operation. And losses will also no longer be settled by PacifiCorp when the EDAM is in operation, instead being settled with CAISO through the marginal loss component. No details are yet available on the proposed treatment of EDAM's imbalance reserves, but stakeholders have already requested examples to better understand the interaction of the various requirements in the OATT and the CAISO tariff.

The proposed tariff revisions also offered additional details on various transmission-related questions, but left several open questions.

WPTF has commented seeking clarity on the interaction of various transmission charges, and the charges for unreserved use of the transmission system, within the EDAM paradigm. WPTF's goal is to ensure that these interactions don't inadvertently lead to entities being "double charged" for transmission service or being assessed a transmission access fee and paying for "unreserved" use of the transmission system. WPTF has also asked PacifiCorp to add additional transmission related details to the tariff, including providing specific criteria that the PacifiCorp EDAM Entity will use in determining whether transmission rights can be "held back" from EDAM optimization. WPTF furthermore urged PacifiCorp to include details on how it will enable transmission use by other markets on its system, including adding in the appropriate operational requirements to the tariff language.

Finally, the 2WC has been interested in how PacifiCorp proposes to "sub-allocate" congestion revenues it receives from CAISO in its capacity as the EDAM Entity. PacifiCorp has proposed a very simple approach, consistent with its suballocation of congestion revenues in the WEIM. Under the proposal, congestion revenues will be sub-allocated to all Measured Demand (metered demand plus exports) within the applicable PacifiCorp Balancing Authority Area. Thus, the sub-allocation of congestion

revenues will not be specific to the location of a customer's transmission rights, loads, or resources. While this is problematic and reduces the ability of customers within EDAM to properly hedge congestion risk (and incents self-scheduling), a more granular/complicated process would also be concerning given that the sub-allocation process in EDAM is performed by the EDAM Entity which is also a market participant. If CAISO were performing these suballocations, then a more granular process would be appropriate and WPTF would be actively seeking a better solution for congestion revenue sub-allocation to individual customers. But, given the EDAM structure, WPTF instead urged PacifiCorp to help monitor the performance of EDAM (and the amount of self-scheduling) once EDAM goes live. WPTF is optimistic that once experience with EDAM is gained, entities like PacifiCorp will be partners in advocating for market design changes that will reduce reliance on self-scheduling and increase market efficiency overall.

PacifiCorp plans to file its proposal EDAM tariff language with FERC in November 2024. The provisions proposed, and adopted, for PacifiCorp's EDAM participation are particularly important as they are likely to serve as the "template" for other EDAM entity tariff modifications in the future.

The 2WC looks forward to continuing to work with PacifiCorp to refine the EDAM tariff language in the coming months.

CARBON AND CLEAN ENERGY COMMITTEE

Clare Breidenich

Clare Breidenich coordinates WPTF's Carbon and Clean Energy Committee. In this role, Clare has been actively involved in the development of California's cap and trade program since its inception and has particular expertise on issues related to the treatment of electricity imports under the program and the interactions of the carbon market and the markets operated by the CAISO. Clare also represents WPTF on matters related to carbon and clean energy policies in other western states.

Prior to joining WPTF, Clare worked on international climate issues at the Environmental Protection Agency, the US Department of State and the United Nations Framework Convention on Climate Change Secretariat. Clare has extensive knowledge of the technical and policy options for greenhouse gas mitigation, including market mechanisms, and methodologies and protocols for estimation, reporting and verification of greenhouse gas emissions and reductions. She has served on the Washington Governor's Climate Action Team, the Washington Carbon and Electricity Markets Workgroup and on a National Academy of Sciences' Committee on monitoring of greenhouse gas emissions. Clare is a graduate of the University of Michigan and has a Master of Public Affairs and a Master of Science in Environmental Science from Indiana University School of Public and Environmental Affairs.

Uncertainty About the Fate of the Washington Cap and Trade program

Washington State Initiative 2117 (I-2117), which aims to repeal the state's cap and trade program (the Climate Commitment Act or CCA) achieved a major milestone this month when the Secretary of State announced enough signatures had been submitted to put the initiative on the November ballot. The news wasn't all good for the CCA repeal effort, however. Earlier in the month, a State Superior court rejected a petition by a Republican group backing the initiative to prohibit the Attorney General from providing a statement on the November ballot regarding the impacts of the repeal initiative on the state budget and programs. The Judge's rejection of the petition means that the Attorney General can provide information on the initiative's fiscal impacts in the voter information package.

Highlighting the fiscal impacts of I-2117 are central to efforts by the Governor's office and state agencies to shore up support for the CCA. Earlier this year, the legislature approved the Governor's Supplemental budget request to the use \$900 million of funds from CCA auction revenue for clean transportation and energy projects. This month the Department of Commerce started spending this money with urgency through \$72.6 million in grants to 71 projects targeting tribes and low-income communities. While

the projects are distributed throughout the state, a cursory [review](#) shows that a large proportion of these grants were made, not coincidentally, to organizations in rural counties where opposition to the CCA is strongest. Governor Inslee himself has also been taking to the streets and the airways to promote the benefits of the CCA in addressing climate change, improving air quality and providing revenue for infrastructure investments.

The administration is not alone in trying to shore up support to reject Initiative 2117. According to [Ballotpedia](#), the opposition camp has raised nearly \$6 million. This is dwarfed by the over \$10 million raised to date by the pro side, but almost 80% of these funds seems to have already been spent in getting the initiative to ballot. It's early days, and I'm not yet seeing ads from either side.

The Department of Ecology also recently announced that it will initiate rulemaking to make changes to the program to enable linkage to the California and Quebec cap-and-trade programs. Even though program linkage would not occur until 2027 at the earliest, those that oppose the initiative can point to the rulemaking as evidence that Ecology is taking steps to reduce allowance prices.

All this activity around the Initiative is creating significant uncertainty about the fate of

the cap and trade program and having a chilling effect on the state's allowance market. The [results](#) of the second 2024 quarterly auction under Washington's cap and trade program held on June 5th illustrate this. 7,802,337 allowance current vintage allowances (those that can be used for compliance this year) were offered for sale. (This volume was about 5% higher than the March auctions due to a supply of 2023 vintages consigned to this auction by electric and natural gas utilities.)

While the June auction clearing price of \$29.92 exceeded both the auction floor price (\$24.02) and the March clearing price (\$25.76), it is far lower than the prices seen last year. Both the 2023 June and August auctions cleared about the program's lower cost-containment tier price of \$51.90 (at \$56.01 and \$63.03 respectively) triggering Allowance Price Containment (APCR) sales. Because Ecology offered only a small portion of the APCR allowance supply and split this volume equally between Tier 1 and Tier 2 sales, some APCR allowances were sold at the Tier 2 price of \$66.68. Consequently, secondary market allowance prices peaked last summer at nearly \$70.

While the 2023 auction clearing prices were driven in no small part by Ecology's mishandling of the APCR, the significant decrease in 2024 prices cannot solely be attributed to Ecology's course-correction on the APCR in early December. I-2117, which was announced in late November, is undoubtedly a big factor in the current tepid market demand for allowances. This is clear from the advance auction of future vintage allowances (those that can not be used for compliance until 2027), which for the first time was undersubscribed -- less than 17% of the 2,200,000 allowances offered were purchased.

The fact that current vintages allowances were completely sold, as they were at the March auction, suggests that covered entities that do not receive free allowances are continuing to buy sufficient allowances to cover their 2024 compliance obligation -- which importantly occurs prior to election day. However, the small proportion of future vintages sold belies market skepticism of the cap and trade's program continuation after this year. The advance auction numbers suggest some hedging by the market, but nowhere near the numbers one would expect given the high allowance prices seen in 2023.

I'm frequently asked to handicap I-2117's likelihood of passing. I think it will be close (and if it passes, most fingers should be pointed at Ecology for their mishandling of the auctions and APCR), but I'm still betting that it will fail. Washington is a reliably blue state, and given that both the President and the next Washington Governor will be on the November ballot, I think that the Democrats will beat the Republican in numbers due to strong voter turn-out in the Puget Sound region that includes Seattle.

One thing is certain, if the Initiative fails, you can expect one hell of a spike in allowance prices on November 6th.