September 25, 2024

Colorado Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202

Director White,

Public Service Company of Colorado ("PSCo") and Tri-State Generation and Transmission Association, Inc. ("Tri-State") are participants in the Phase I development of Markets+ ("M+"),[1] an emerging day-ahead market in the West. Representatives from PSCo and Tri-State, as well as the Colorado Public Utilities Commission ("Commission"), have been actively participating in the M+ Greenhouse Gas Task Force (MGHGTF).[2]

This letter serves to inform the Commission and interested stakeholders of several areas of alignment between PSCo and Tri-State with regard to the M+ GHG Protocols that are in development.[3]

1. GHG Region

   For purposes of GHG reporting, the Market Operator (Southwest Power Pool), will provide data for the market footprint, regions, sub-regions, states, and GHG Zones.

   For region-level data reporting, PSCo and Tri-State support creation of a GHG reporting region that is limited to the transmission-constrained balancing authority areas that are directly interconnected to Colorado's M+ balancing authorities – these include PNM, PSCo, and SPP RTO in the western interconnection.

2. Resource Mapping

   M+ Market Participants will identify their owned, partially-owned, and contracted-for resources to be mapped to the M+ Market Participant. The M+ Market Participants must provide confirmation from the relevant counterparty for contracted-for resources of the allocations. This process is important for assigning the energy and GHG emissions associated with resources in the market.

   PSCo and Tri-State will request a letter of attestation from the Commission and the Air Pollution Control Division ("APCD") of the Colorado Department of Public Health & Environment regarding their Resource Mapping. The expectation of both the utilities and

[1] https://www.spp.org/western-services/marketsplus/
[2] https://www.spp.org/stakeholder-groups-list/western-energy-services-stakeholder-groups/marketsplus-stakeholder-groups/marketsplus-independent-panel/marketsplus-participant-executive-committee/marketsplus-design-working-group/marketsplus-ghg-task-force/
[3] Working draft M+ GHG Protocols are publicly available here: https://www.spp.org/Documents/72389/MGHGTF%20Protocols%205.8%2020240916%20Clean.zip

the state regulators is that thermal units owned by Colorado utilities located in the transmission-constrained balancing authorities participating in M+ will be mapped to the resource stack of the entity claiming capacity credit for those resources for resource adequacy, independent of any wholesale energy contracts that may exist.

3. Excess Energy Allocation Methodology

The Residual Market Mix Emissions Factor represents the GHG emissions associated with excess energy contributed to the market (vs. energy used to serve native load). PSCo and Tri-State will, respectively, apply the Residual Market Mix Emissions Factor to M+ market purchases and sales in their calculation of annual emissions using the APCD Verification Workbook. PSCo and Tri-State believe a core aim in selecting an appropriate Excess Energy Allocation methodology is to minimize double-counting,[4] thereby increasing the accuracy of the Residual Market Mix Emissions Factor.

Pursuant to the M+ Market Protocols, M+ Market Participants, such as PSCo and Tri-State, will provide confirmation to the Market Operator that the relevant electric regulatory authority, i.e., the Commission, does not object to the Excess Energy Allocation methodology via a letter of attestation.

The Economic Order Resource Stack method may result in different GHG emission calculations when compared to the system average methodology, which has been used for calculating GHG emissions by some utilities (including in planning for PSCo CEP compliance). Accordingly, PSCo and Tri-State request the PUC in consultation with the APCD agree that, to the extent that use of the resource stacking methodology results in calculated incremental GHG emissions over the system average methodology, those incremental emissions will not be counted against the entity's existing GHG compliance obligations or performance incentives. This includes, but is not limited to, the 80% reduction target in the Public Utilities Law, or the 75% safe harbor provision for CEP compliance in the Public Utilities Law, both of which apply in 2030. We suggest it may be appropriate for this agreement be formally established in a miscellaneous proceeding initiated by the PUC and subsequently clearly reflected in all applicable guidance and verification workbooks from the APCD.

Subject to agreement from the PUC and the APCD to the request above, PSCo and Tri-State agree to use the Economic Order Resource Stack method. It is the expectation of both the utilities and the regulatory authorities that any other Colorado entity participating in the transmission-constrained balancing authorities in either of the two SPP markets will apply the same approach to ensure consistent treatment of GHG emission tracking under Colorado's emission reduction statutes. This method produces a Resource Stack based on the economic order from lowest cost to highest cost of the M+ Market Participant's Offers in the Day-Ahead Market. The lowest cost supply will be added to the merit order stack first against the M+ Market Participant's load.

[4] Double-counting can occur when an entity claims its load was served by zero-emission energy without obtaining the associated green attribute, Renewable Energy Credit (REC).

This approach reflects the expectation that renewable resources with renewable attributes ("Renewable Energy Credits" (RECs)) will be low in the merit order as they are the lowest cost supply, being used primarily to serve Colorado load and support utilities in achieving Colorado GHG reduction targets. This approach minimizes the potential for renewable energy being exported to the market and counted as Excess Energy factored into the Residual Market Mix Emissions Factor. Starting in 2024, PSCo is required to retire RECs associated with any renewable energy used to serve customer load that is attributed in its Clean Energy Plan a GHG emissions rate of zero pounds per megawatt hour.[5] Starting in 2025, Tri-State is required to retire RECs for any renewable energy Tri-State uses to serve Colorado load that is attributed a GHG emissions rate of zero pounds per megawatt hour.[6]

4. M+ GHG Report Underlying Data

   Each month, the Market Operator will issue a report of GHG data to M+ Market Participants and an aggregated version of the report will be made publicly available.

   PSCo and Tri-State will provide, on a highly confidential basis, all of the relevant hourly and other data made available through the METra Portal, on an annual basis to the Commission and APCD for purposes of GHG reduction verification.

PSCo and Tri-State understand that APCD is obligated under C.R.S. § 25-7-105(1)(e)(VIII.5)(G) to issue guidance no later than December 31, 2024 specifying the manner in which APCD will track and account for GHG associated with electric utility transactions in organized markets, in consultation with the Commission. We understand that the new guidance will reflect the Economic Resource Stack Methodology and associated treatment of any incremental emissions. The efforts of the MGHGTF in drafting GHG Protocols is likely to ease development of this guidance.

Respectfully submitted,

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[5] 2021 ERP Settlement Agreement ¶17, filed April 26, 2022 in Proceeding No. 21A-0141E.
[6] 2020 ERP Settlement Agreement Section 3.3.9.1, filed Jan. 22, 2022 in Proceeding No. 20A-0528E.