

EWEB Comments on BPA's Day Ahead Market Participation Workshop

January 5, 2024

EWEB appreciates the opportunity to comment on BPA's Day Ahead Market Participation process. The November 29th workshop provided valuable insights into BPA's overall perspective on Day Ahead Market Participation and alignment with BPA's statutory and contractual obligations. However, we also acknowledge that BPA has not yet provided formal written analysis of these topics, and we believe that this is necessary for BPA to participate in a DAM. While BPA could postpone this analysis for a later process, including it in the current ROD would be prudent.

EWEB supports the comments and questions posed by PPC and WPAG. Additionally, we have included several comments and questions below.

Robust Analysis and Business Case

EWEB encourages BPA to develop a robust, fact-based, data-driven, business case identifying the costs and benefits to its customers, prior to making a decision to join a day ahead market.

BPA's market decisions will directly impact the costs and benefits EWEB would realize. Because EWEB is a customer in BPA's balancing authority with generating resources, BPA's decision on market participation is also a decision for EWEB. Our internal systems, processes, and staffing must align with this. For example, EWEB is working with BPA and the CAISO to bid our dispatchable hydro generation into the EIM. Any pivot away from the CA EIM could impact the work EWEB is doing in this area.

For these reasons, EWEB encourages BPA to take the time required to make the best business decision for its customers, based on BPA specific data and facts. This includes taking the time to understand the key drivers behind market benefits prior to moving to a single DA market. BPA's analysis should also include different scenarios around connectivity/footprint, both qualitatively and quantitatively, as well as a strategy on how and when to pivot to a different market as market rules, connectivity, and seams issues evolve.

Governance

EWEB believes independent governance is an important factor for BPA to consider when determining which DA market to join, but it isn't the only factor.

EWEB supports PGP, WPAG and PPC market principles. This includes the need for independent governance. We also recognize that no single principle should solely drive a decision, nor will a single principle drive all costs and benefits. Instead, all principles should be considered together.

The importance of an independent governance structure cannot be understated: an independent governance structure is critically important for ensuring the development of equitable market rules and trust in a fair process for all market participants. However, independent governance by itself cannot achieve market benefits in the absence of a market footprint that can deliver expected production cost savings and market rules that are designed to maximize customer benefits across that footprint.

The potential cost and need to manage complicated seams across highly interconnected bulk transmission systems must also be considered. It is not sufficient for BPA to simply state that independent governance and a representative stakeholder process will enable the agency to sufficiently work through or solve these potential issues or that such a structure will automatically result in

outcomes that are beneficial for BPA's customers. This is particularly the case in the event BPA intends to make significant investments in the near term to preserve its market options. BPA must ensure that any near-term investments are not likely to become stranded or that those costs will be offset by achievable benefits.

Market Leaning

EWEB supports BPA making a decision to join a Day Ahead (DA) market without providing a leaning to a particular market in March 2024.

If BPA issues a leaning towards one market or another, the agency needs to retain as much flexibility as possible to change courses before making a final decision. EWEB remains concerned that BPA will not have enough information to make an informed leaning towards either SPP Markets+ or CAISO EDAM at the end of this initial process. Also, as noted below, issuing a leaning towards one market or another will begin a chain of additional investments and workstreams that will be profoundly impactful on BPA's business practices and data flows, among other areas.

Criteria for Leaning Decision

BPA has listed multiple quantitative and qualitative factors that the agency will consider in issuing its DAM participation leaning. EWEB would like to understand how the agency views the relative importance of these factors in issuing 1) a policy decision on joining a DAM, and 2) a leaning of which market to join. Questions to consider include:

- What are the top qualitative and quantitative factors influencing BPA's decision?
 - How do these factors compare across market options?
 - Examples include: governance, market footprint, price formation rules, projected net benefits, transmission constraints/seams and rules.
- If BPA decides to forgo a favorable footprint or other market design criteria in exchange for a more desirable governance structure, how does BPA quantify the near and long-term impacts of these tradeoffs?

Timeline for Switching DAM Operators

Given that participation in a DAM would be integrally tied to BPA's systems and processes, switching between markets is likely to be costly – both financially and in terms of time. It would be helpful for EWEB to understand how 'permanent' BPA views a decision to join one market or the other, and what might cause the agency to switch markets at a future date. Questions include:

- How long would it take BPA to transition from one DAM to another?
 - What changes would BPA need to make to enable this transition?
- What would cause BPA to move from one market to another, or alter its initial leaning?

As mentioned earlier, part of understanding these timelines is due to the impacts to EWEB's own internal systems, processes, and staffing that must align with BPA's decisions.