
Submitted via email to techforum@bpa.gov on October 25, 2018

RE: Comments in Response to October 11 BPA EIM Stakeholder Meeting

PPC appreciates the opportunity to comment on BPA's Energy Imbalance Market (EIM) stakeholder process and the agency's efforts to inform its customers on the analysis it is conducting to determine whether it should participate in the EIM.

PPC looks forward to continuing to engage with BPA on its assessment of EIM participation. During these discussions PPC will be looking for BPA to pursue policies and operational approaches that are consistent with the NW Public Power Interests for Markets. This document was developed by public power trade organizations in the Northwest, including PPC, and their members, and is attached to these comments.

In response to the stakeholder workshop held on October 11st PPC offers the following initial comments.

PPC encourages BPA to view the analysis shared on October 11th as initial leanings and to continue to update the analysis based on feedback received during this stakeholder process. The determination on whether and how to participate in the EIM will have significant impact on the agency's customers, particularly its preference power customers who rely on BPA to meet their power and transmission needs.

While PPC agrees that the items identified on BPA's list of issues must be addressed before its participation in the EIM, the list is not exhaustive. For instance, BPA should also address how customers will be impacted operationally and procedurally by its participation. Also, BPA should discuss what Business Practice, tariff and rate schedule changes may be proposed to enable participation in the EIM.

PPC looks forward to more discussion on the treatment of transmission and BPA's generation in the EIM. PPC would like to better understand the costs and benefits of the alternatives identified as well as anticipated impacts to BPA's customers from each of the possible approaches.

EIM governance is an issue that is very important to PPC and we look forward to more discussion on this issue. PPC and members would like to work with BPA to ensure that EIM governance allows the agency to act consistently with its statutory obligations, and to determine what, if any, changes are required to the EIM governance structure prior to the agency's participation in the EIM. The governance framework should not only be considered under the current market design, but also with the understanding that the EIM is likely to continue to evolve and expand, for instance with the possible extension of the day ahead market.

BPA mentioned that it will be updating the cost and benefit analysis of EIM participation. The assumptions used in this update should be vetted with customers and updated regularly throughout the public process.

PPC appreciates the opportunity to comment and looks forward to more discussion on this issue.

NW Public Power Interests for Markets

September 3, 2018

The NW Publicly Owned Utilities (NW Public Power) recognize that centralized markets have been evolving as part of the Western power landscape. The foundation of a centralized market, including its governance structure and market design, is critical to a fair sharing of value among participants. This paper is not intended to offer support or opposition for any specific new or expanded market proposals but provides NW Public Power's perspective on principles and elements that should be applied to any centralized market that may develop in the Northwest.

Independent, Representative Governance

- An independent, non-affiliated Board of Governors ("Board") of sufficient size to allow the Board to represent different regions, market participants, and interests.
- A clearly defined process for the selection of the Board by a Nominating Committee comprised of representative regions and participants, including representatives of NW Public Power.
- A Member Advisory Committee as a formal advisory channel to the Board itself. Members would include a balanced mix of market participants, including representatives of NW Public Power.
- A States Committee that provides for state public utility commissions, Power Marketing Agencies, and public power from all regions impacted by the market to have input to the Board on key market design issues, including resource adequacy and transmission cost allocation.
- Board decision-making and stakeholder engagement occurs in a transparent and inclusive manner.

Resource Adequacy¹ and Resource Sufficiency² Requirements Provide for Reliability and Equity

- Entities seeking to participate in an organized market must meet standard minimum resource requirements that provides for a high level of reliability (Resource Adequacy for an RTO and Resource Sufficiency for any voluntary market) .
- Processes assure that participants offering resources to the market satisfy their obligations and provide deliverability to load.
- Market design should ensure that Resource Adequacy and Resource Sufficiency requirements are not circumvented by leaning on investments made by others.

Transmission Owners Can Meet Existing and Future Load Service Obligations at Reasonable Cost

- Transmission Owners receive sufficient compensation to cover the costs of existing transmission and those costs are appropriately assigned to users based on cost causation.
- Transmission rights holders are ensured congestion/financial rights to mitigate congestion costs.
- Transmission planning and cost allocation processes adequately expand the transmission system and fairly allocate transmission costs and recovery.

Market Power Mitigation recognizes the unique situation of hydropower

¹ The term Resource Adequacy in this context references the capacity to reliably meet demand in a certain confidence interval over a given time horizon--usually longer term.

² The term Resource Sufficiency in this context references a showing of resources with the appropriate resource characteristics that are available to meet demand on a shorter time horizon--usually day-ahead and real-time.

- Mitigation methods accept and provide for the complex and dynamic nature of hydropower planning, operational constraints, and opportunity costs. Therefore, opportunity costs for hydropower should recognize the trade-off between producing energy today instead of producing energy in the future, as well as the opportunity costs of alternative real-time bilateral market transactions.
- These complexities of hydropower operation and planning range from considerations within the hour and day to periods spanning weeks, months and potentially years.
- Market Power Mitigation should only occur where the opportunity to exercise market power exists.
- Market Power Mitigation methodology should consider the unique aspects of a voluntary market which includes *choices* surrounding the nature of a voluntary market (access to other opportunities, opportunity costs, the cost of water in various time increments, etc.).

Fair Compensation for Services and Transparent Price Formation

- Market rules provide appropriate compensation for all stand-ready services and use of flexible capacity.
- Market rules allow market prices to accurately signal shortages and scarcity.
- Bidding and dispatch rules assure proper accounting and compensation for environmental attributes, consistent with state policies.
- Market rules ensure proper economic market function and reliability only. Costs driven by specific policy objectives of individual jurisdictions are accounted for in pricing for those jurisdictions separately.

Respects Existing Laws, Statutory Obligations, Regulations, and Local Regulatory Authorities

- Organized markets with different kinds of participants (e.g. IOUs, COUs, PMAs, etc.) must respect existing laws, statutory obligations, regulation, and local regulatory authorities.
- Resource Adequacy and Resource Sufficiency requirements do not supplant local regulatory decision authority for resource procurement.