

Submitted via email to techforum@bpa.gov on June 17, 2019

RE: Public Power Council's Principles for BPA's Energy Imbalance Market Participation

The Public Power Council (PPC) appreciates the opportunity to participate in BPA's Energy Imbalance Market (EIM) stakeholder process. Throughout this process the agency has worked to identify possible impacts resulting from its participation and to keep customers informed regarding the agency's analysis. In preparation for BPA's letter to the region and Record of Decision that will follow, we would like to offer some insight on how PPC and its members plan to evaluate BPA's participation in the EIM.

We do not see this evaluation as a one-time assessment. We will critically evaluate the business case and impacts associated with BPA's participation before the agency makes its determination on participation in 2021, and plan to revisit that evaluation on an ongoing basis to determine whether BPA's voluntary participation in the EIM is in the best interest of the agency and its customers. To aid in that evaluation, we have developed *PPC's Principles for BPA's EIM Participation* and *Key EIM Market Elements for BPA's Initial and Continued Participation*.

BPA's Existing Principles for EIM Participation

PPC understands that the agency will use its principles for EIM participation in making BPA's ultimate determination on whether it will participate in the EIM.

In this broad context, BPA's existing principles do not address certain areas of concern that have been raised repeatedly by PPC and its members. PPC recommends revision of BPA's principles to provide additional clarification and better ensure that BPA's participation is aligned with its customers' interests.

PPC's Principles for BPA's Participation in the EIM

To address the gaps in BPA's current principles, PPC and its members have developed the principles that we will use in our assessment of BPA's participation in the EIM. These principles largely align with those identified by BPA but include some revisions and one addition. We believe these changes, consistent with concerns raised previously with BPA staff, include additional clarity and will further assure PPC's members that BPA's participation will be consistent their interests.

BPA's original principles on EIM participation only focused on voluntary *resource* participation. PPC's principle on this point is more inclusive to reflect that BPA's participation as an EIM Entity remaining voluntary is keenly important as well. The revised principle also emphasizes that beyond the legal ability for BPA to end participation, BPA must also be capable of exercising its voluntary option to exit the market. If BPA is operationally incapable of ending its participation, this principle would not be met, even if the agency retained the legal ability to end its participation.

PPC also finds the reference to “sound business principles” lacking in specificity and depth. Our revision of this principle includes reference to BPA’s Strategic Plan objectives, particularly creating competitive power products and capturing the full value of BPA’s power and transmission system. Participation in the EIM should result in real benefits for Power and Transmission customers and the specific manner which BPA’s participates in the EIM should strive to maximize these benefits. Additionally, BPA should continuously review the market design and implementation of the market design to ensure that the market is correctly compensating BPA for its participation. This includes the need for BPA to be properly compensated for the extremely flexible and zero carbon hydro resources it plans to provide to the market.

Lastly, while BPA has been working with customers to explore how they will be impacted by the agency’s participation, BPA’s EIM principles include no reference to these impacts. PPC has developed an additional principle to ensure the agency has considered how its participation will impact its products and services from both a commercial and operational perspective. This principle is not intended to suggest that any impact is unacceptable, but instead is meant to ensure that BPA has worked to understand the impacts of participation and then considered those impacts in its participation decision. Part of this consideration could be policy changes to mitigate those impacts where appropriate.

We believe that the PPC Principles for BPA’s participation in the EIM include important clarifications and assurances compared to the existing BPA principles. We request that BPA consider making similar revisions to its own principles.

Key Market Elements for BPA’s EIM Participation

PPC has also identified “Key Market Elements” that we believe are essential to ensuring BPA’s participation in the EIM is consistent with the principles discussed above. These elements focus on important aspects of the EIM that BPA has discussed during its stakeholder workshops and call out essential market design elements in each of those categories. We separately identify these key market elements because BPA does not have direct control over them and retaining them in the EIM is important to BPA’s participation.

These key market elements are intended to capture the minimum requirements necessary to ensure that BPA’s EIM participation is consistent with the principles we have identified based on the vetting of BPA’s participation we have done so far. It is possible additional discussions or additional changes in the market may lead us to identify additional key market elements.

While these market elements meet our minimum expectations, there are possible improvements to be made in some of these areas. We plan to actively seek those improvements through participation in CAISO’s stakeholder processes and will continue to work with BPA to identify areas where we have concerns or see the possibility for improvement on aspects of the EIM.

PPC would also like to clarify that the market elements identified in this document are applicable only to BPA’s participation in EIM. If in the future BPA considers participation in a day ahead market, a separate analysis and stakeholder process will be needed.

Conclusion

PPC appreciates BPA's consideration of these comments as it prepares to issue a Record of Decision on whether it will participate in the EIM. We also continue to appreciate BPA's collaborative approach to its EIM stakeholder process and looks forward to continued discussion on these principles and other EIM issues.

PPC offers these principles for consideration in BPA's decision to join and participate in the Western Energy Imbalance Market (EIM). PPC plans to use these principles when evaluating and commenting on BPA's EIM participation prior to its ultimate determination on EIM participation in 2021 and to revisit that evaluation on an ongoing basis.

Principles

1. BPA's participation is consistent with its statutory, regulatory, and contractual obligations.
2. BPA maintains reliable delivery of power and transmission to its customers.
3. BPA's participation in the EIM is discretionary and BPA retains its ability to effectively exit the market in the event participation is no longer consistent with these principles.
4. BPA's participation is consistent with a sound business rationale and advances the objectives of BPA's Strategic Plan,¹ including providing competitive products and services, by capturing the full value of its power and transmission system.
5. BPA's evaluation of EIM participation includes transparent consideration of the commercial and operational impacts on its products and services.

In addition to these principles, we have identified market elements of the EIM that are key to ensuring BPA's initial and continued participation in the EIM is consistent with these principles. The retention of these market elements will be an important consideration in PPC's evaluation of BPA's EIM participation both initially and on an ongoing basis.

While we will continue to seek improvement on these elements where necessary or applicable, they are sufficient to support BPA's EIM participation. Participation in a day ahead market, such as EDAM, would require additional assessment of these and other market areas.

Key EIM Market Elements for BPA's Initial and Continued Participation

- Participation is voluntary.
- Participation does not change BPA's ability to determine rules and policies associated with its Tariff.
- Market Power mitigation methods that accept and provide for the complex and dynamic nature of hydropower planning, operational constraints, and opportunity costs are in place and functioning properly.
- The EIM Governing Body (or a similar independent governing body that represents the diversity of those impacted by the EIM) exists and has primary authority over EIM issues.
- BPA is able to determine the manner of participation for transmission on its system.
- GHG benefits and costs are accurately allocated and only apply to actual physical EIM dispatches made to serve load subject to carbon regulation.²

¹ BPA's 2018-2023 Strategic Plan published January 2018

² Accurate allocation of GHG costs and benefits is important for BPA's participation in the EIM to the extent that their participation includes dispatches to serve load subject to carbon regulation. It is our understanding that BPA's initial participation will opt out of such dispatches.