



July 3, 2024

## **Seattle City Light Comments re: BPA Day-Ahead Market Participation Workshop #7**

Seattle City Light (City Light) appreciates the opportunity to comment on the June 3, 2024, BPA Day-Ahead Market (DAM) Participation workshop. As both a BPA preference customer and a Western Energy Imbalance Market (WEIM) participant, City Light supports and shares BPA's interest in DAM participation. City Light offers comment in four different areas: West-Wide Pathways Initiative engagement and consideration, Footprint/Connectivity, Seams, and topics for future workshops. Each area is discussed in more detail below.

### **West-wide Governance Pathways Initiative Engagement & Consideration**

City Light appreciates BPA's inclusion of the West-wide Governance Pathways Initiative (Pathways) as a part of BPA's presentation on governance issues in the June 3 Workshop. BPA's presentation provided additional insights on the concerns that BPA has raised in its Pathways comments. It also provided a framework for an informative and constructive conversation with other stakeholders engaged in Pathways, who provided additional insights on the process and proposals. Dialogue on this important initiative should continue through the summer as Step 2 progresses. City Light also urges BPA to actively participate in the Pathways stakeholder workshops that will occur over the summer on an array of Step 2 topics. BPA's engagement in Pathways is particularly important as BPA has identified governance as a key issue in its DAM decision process. City Light understands that BPA has limited bandwidth but asks that staff time be dedicated to this important work.

In the June 3 Workshop, City Light staff inquired whether BPA was considering delaying its DAM decision until after the Pathways Step 2 final proposal is issued, so that it could be evaluated as a part of BPA's analysis. In response, BPA staff indicated a hesitance to delay a decision because of concerns that other entities are not slowing down. City Light understands there is a general reticence toward delaying a decision, but the Markets+ timeline has been fluid since its original inception and Phase 1 does not need to be completed by January 2025. Further, the Markets+ participants, who control the direction of the Markets+ work through the governance and stakeholder processes, can revise plans to support their needs and desires.

Thus, we urge BPA to coordinate with the remaining Markets+ Phase 1 funders to explore potential options that would retain Markets+ as an option, but would also facilitate the consideration of the Pathways Initiative Step 2 proposal in DAM participation decisions. Allowing for consideration of changes to CAISO governance is important, as this is one of the primary areas of difference between the DAM options, along with footprint and connectivity. While EDAM and Markets+ have some differences in design, there are far more similarities, and a number of critical elements of the Markets+ design were largely based on the framework created for EDAM. Moreover, other areas of concern with the CAISO market design are under review as a part of the stakeholder initiative processes.

City Light understands that any delays to DAM decision-making could impact the timeline for go-live in either market. In prior workshops, BPA indicated that it does not anticipate that it would go-live in a DAM until after implementation of the Provider of Choice contracts, which, at the earliest, would be in late 2028 or early 2029. City Light asks that BPA provide additional clarity about whether BPA could still meet that planned go-live date if a market decision is delayed until after there is more information available about the direction of Pathways. While a delay is not optimal, it is preferred over BPA prematurely making a market operator determination that will impact customers for decades to come, absent this crucial piece of data.

The Pathways Initiative offers an opportunity for entities in the West to reach a resolution on the long-standing issues around governance. Resolving these independent governance concerns would allow for further market development to build upon the collaborative and positive outcomes achieved through the development and operation of the WEIM over the past decade. Critically, resolving this issue would allow the West to maintain a broad, highly interconnected market footprint of diverse loads and resources. As discussed in City Light's prior comments, as well as in additional detail below, City Light remains concerned about challenges and issues that will be created if BPA and other WEIM participants opt to move forward with Markets+. In this scenario, these WEIM participants would have to leave the WEIM to join the Markets+ real time market. This would result in losing the broad-footprint, coordinated real-time operations that the WEIM facilitates in the West.

### **Footprint/Connectivity**

PacifiCorp and Portland General Electric (PGE) have signed EDAM implementation agreements and Idaho Power, NV Energy, the Balancing Authority of Northern California (BANC), and Los Angeles Department of Water and Power (LADWP) have announced they will or are likely to join EDAM. Based on these announcements, there is not a potential contiguous Markets+ footprint. As BPA updates its WMEG analysis, it will be critical that BPA explore and discuss with stakeholders the potential implications of limited connectivity of a divided footprint.

Specifically, we ask that BPA explore what this limited connectivity might mean for both the day-ahead and real-time markets. This nuance between the two markets is important to discuss because while transmission rights holders participating in Markets+ can utilize their rights across transmission service providers that are EDAM participants, those transmission rights will likely only support static transfers that would facilitate day-ahead activity that can be scheduled in 1 hour or 15 minute increments, as Markets+ does not have a 15 minute market. In order to facilitate real-time dispatch between the disconnected potential Markets+ regions utilizing transmission across EDAM, Markets+ market participants will need dynamic transfer capacity. However, to date, no entity has indicated or provided evidence that it has dynamic transmission capacity that can facilitate these flows, and it is not clear there will be dynamic capacity available to facilitate these flows if requested.

City Light is concerned that this lack of connectivity could have negative impacts for BPA's operations, and for the region, and asks that BPA explain how it is assessing this risk as a part of this decision

process. Specifically, we ask that BPA provide additional detail about the potential impacts on operations that could arise from a lack of real time transfers between the Pacific Northwest (PNW), the Desert Southwest (DSW), and/or Colorado.

City Light understands that some entities believe market connectivity between these disparate Markets+ regions will be achieved through the construction of a new transmission line between the PNW and DSW. A long transmission line crossing hundreds of miles would cost billions of dollars and could take decades to complete. If BPA includes this potential transmission line in its WMEG footprint analysis, BPA should also include a robust discussion of potential costs and timeline for development of such a project, as well as who will be responsible for construction and paying for the facilities. BPA should also include those costs as a part of its analysis of the market options if the benefits will rely on this magnitude of a construction project or if the rationale for the transmission line is to support market operations. Additionally, BPA should provide information about the potential route of this transmission line. Based on limited public information available about the potential corridor, the line appears that it would end in Nevada, which would still be short of leaving the EDAM footprint. Further, given the speculative nature of these transmission facilities, City Light requests that BPA provide information about how it is accounting for any uncertainty. Finally, City Light asks that BPA indicate how it is assessing the static vs. dynamic capacity of this potential transmission line. As we have seen from the operation of the Northwest AC Intertie, dynamic capacity on this type of long-distance transmission facility can be limited.

### **Seams**

The lack of connectivity between regions of a potential Markets+ footprint described above highlights the important questions around seams. With 22 BAAs and 80% of the load in the Western Interconnection participating in WEIM, the development of Markets+ would create a seam where there is not one now. City Light understands and appreciates that BPA recognizes the importance of seams issues and that it is ready and willing to work with the different market operators to try and address them. But the fact that these broader discussions with market operators and participants have not yet begun should not preclude BPA from providing a more in-depth exploration of these issues with its stakeholders at this time.

Thus, City Light repeats our prior request asking that BPA identify the potential seams issues that could arise as well as any potential strategies for mitigating these risks. This approach will allow BPA and stakeholders to test the assumptions of what can be accomplished through seams agreements. Previously BPA has stated that it cannot talk about seams agreements because other entities are not engaging in seams discussions. City Light is not asking BPA to resolve these issues alone; we are asking BPA to discuss in further detail with its customers and stakeholders the issues that could arise from seams and *whether or how* those identified issues *could* be addressed. If BPA has not identified a means to address these issues, then the potential risks of those issues should be included as a part of the qualitative and quantitative analysis that will accompany BPA's DAM decision.

Additionally, it would be helpful to understand if BPA believes there will be sufficient incentives for counterparties to negotiate market-to-market seams agreements that would minimize hurdles. For example, if an EDAM participant believes it has sufficient connectivity through its EDAM connections and that intertie bidding creates reliability risks, what incentive does it have to try to facilitate market-to-market transactions across the seams. Further, if an entity benefits from depressed prices behind a seam, what incentive would it have to want to create mechanisms that would expand competition and raise prices? City Light asks BPA to provide information about potential roadblocks to achieving coordination across seams, including specific elements of each market design that create hurdles and impediments to transacting across a seam.

### **Requests for remaining workshops**

City Light asks that BPA discuss the following scenario in the remaining workshops:

- Congestion revenue allocation scenario where generators are not the owners of transmission connecting the BAs. For example, current discussions around connectivity between the PNW and DSW have focused on the potential for entities bringing commercial rights to move energy across EDAM between two different Markets+ regions. Please provide information about how the congestion revenue will be allocated. How does this settle and who receives the benefits if there is price separation?

### **Conclusion**

City Light appreciates BPA's commitment to conduct additional analysis and take new emerging information into account in its DAM determination. As indicated above, there are still a number of areas where additional discussion and analysis is needed. City Light respectfully asks that BPA answer the questions posed above in upcoming workshops given the criticality of these issues.