



July 25, 2024

To: Pacific Northwest Congressional Delegation

The undersigned organizations, companies, and individuals are writing to express concern with Bonneville Power Administration's (BPA or The Administration) day-ahead market (DAM) process, specifically BPA's rushed timeline to make a final determination without comprehensively considering impacts to customers in the region.

As the federal Power Marketing Administration in the Pacific Northwest, BPA enables service to more than 14 million public power and investor-owned utility customers in the region via 15,088 miles of transmission across a 300,000 square mile service territory spanning Washington, Oregon, Idaho, and Montana. Customer owned utility customers and investor-owned utility customers alike rely heavily on BPA to deliver reliable electricity from our region's hydroelectric generators to load centers.

The Pacific Northwest is experiencing skyrocketing demand for electricity, driven by the growth of the digital economy, the reshoring of domestic manufacturing, and the electrification of transportation and buildings.¹ This surge is boosting economic development, creating high-quality jobs, and addressing supply chain imbalances. However, the potential for demand to outpace supply is growing, compounded by severe weather events, reliability issues, affordability concerns, and the need to meet individual states' clean energy goals.

Western DAM Expansion

To adapt to this new reality, many utilities across the West, including those in the Pacific Northwest, are considering building on the successful Western Energy Imbalance Market (WEIM) by joining a DAM. There are numerous benefits to participating in a DAM, including the ability to optimize the dispatch of

¹ PNUCC, Northwest Regional Forecast of Power Loads and Resources August 2023 through July 2024 (May 2023), available at <https://www.pnucc.org/wp-content/uploads/2023-PNUCC-Northwest-Regional-Forecast-final.pdf>

resources from a more diverse pool of resources, enable more efficient use of existing transmission, and transparent price formation. Currently, there are two competing DAMs in the West - the California Independent System Operator's (CAISO) Extended Day Ahead Market (EDAM) and the Southwest Power Pool's (SPP) Markets+.

BPA's DAM Timeline and Process

BPA staff have been closely involved in the development of both CAISO's EDAM and SPP Markets+. In July 2023, BPA initiated a public review process to evaluate its potential participation in a DAM. In April 2024, BPA staff released a recommendation for BPA to participate in a DAM, specifically SPP Markets+. Looking ahead, BPA plans to release a draft decision on August 29, 2024 for review by customers and interested parties with a Record of Decision (ROD) published in November 2024. The ROD will indicate BPA's intention to join a market and if so, which one.

BPA's Costs to Join a New DAM

In order to join SPP Markets+, BPA will be required to leave the WEIM, thereby incurring additional costs to ratepayers.² During BPA's most recent Program Review stakeholder meeting, the Administration stated that it anticipates the cost to join Markets+ will be approximately \$30 million—this is in addition to \$1.4 million that BPA previously spent to help fund the development of the SPP Markets+ tariff. In contrast, BPA spent approximately \$20 million to join the WEIM and estimates spending approximately \$2 million to extend its participation to EDAM. Furthermore, the costs BPA incurred to join the WEIM were recovered from ratepayers and will be considered sunk costs, should BPA decide to leave the market.

BPA staff previously stated that the Administration plans to recover the costs associated with joining Markets+, which will total approximately \$31.4 million, through wholesale customer rates, but has not outlined a plan for how those costs will be allocated between power and transmission customers.

Opportunity to Improve Market Governance

In its DAM evaluation, BPA stated that it would like two viable markets to choose from and an independent governance structure is a significant factor in their evaluation.³ Despite previous failed attempts to enable independence within the CAISO, last year's advent of the West-Wide Governance Pathways Initiative (Pathways Initiative)⁴ has revitalized the governance conversation.

The Pathways Initiative began in June 2023 with the goal of creating a new entity with an independent governance structure capable of offering an expansive suite of west-wide wholesale electricity market functions across the largest possible footprint. This Initiative aims to overcome the political barrier that currently exists with California's oversight of the CAISO Board.

The Pathways Initiative is making rapid progress, with the initial step to expand the authority of the fully independent WEIM Governing Body being considered by CAISO this summer, and a second step to design an independent regional entity underway. BPA stated that it would like to see the passage of enabling legislation in California to provide it with certainty. However, this legislation will not take place until the 2025 Legislative Session.

² SPP, Markets+ Design Governance Team Slide Deck (January 31, 2022), *available at* <https://spp.org/documents/66501/01312022%20gdt%20webinar%20final.pdf>

³ Bonneville Power Administration, Day-Ahead Market Policy Paper: Cover Letter (April 4, 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/01-bpa-dam-policy-letter-administrator-signed.pdf>

⁴ See West-Wide Governance Pathways Initiative, *available at* <https://www.westernenergyboard.org/wwgpi/>

Since BPA’s timeline anticipates a draft decision to be made on August 29, 2024, the Administration’s goal of having two viable independent markets to choose from cannot be accomplished prior to a draft decision. In fact, the rushed decision may ultimately preclude the ability to have a truly independent West-wide market.

Bifurcated DAM in the Pacific Northwest Creates Uncertainty

Market governance, market footprint, and transmission connectivity are critical to delivering customer benefits and to date, numerous studies conducted demonstrate the greatest benefit to consumers will be realized under a single western market scenario, with the largest possible market footprint.⁵ Given BPA’s significant influence as the marketer of the region’s hydropower and operator of 75% of the region’s transmission, additional analysis of impacts on the entire region, especially on customers reliant on BPA’s services, prior to any final decision, is essential.

A recent study by Grid Strategies⁶ highlights the significant benefits of expanding western energy markets to include day-ahead functionality, which would improve reliability, reduce consumer costs, and enhance regional coordination. It underscores the importance of proper market configuration to avoid inefficiencies and the detrimental impacts of market seams, particularly in the Pacific Northwest where increasing demand and renewable integration pose challenges. The report also emphasizes the need for holistic regional solutions and broad stakeholder engagement to achieve well-configured markets and maximize consumer benefits. Moreover, the report considered potential impacts of a bifurcated market, suggesting that the emergence of market seams between two DAMs in the region could empower "pivotal suppliers" to manipulate access and rates related to transmission to their advantage, potentially at the expense of customers.

Additional Analysis Detailing Impacts to Customers is Needed

Given BPA’s outsized impact in the Pacific Northwest, particularly relating to power supply and transmission, our organizations want to avoid any unintended consequences that would disproportionately impact customers.

While BPA has held numerous public meetings on the topic, the Administration has failed to respond to specific requests for clarification on multiple issues, including requests from several lawmakers, agencies, and the governors of Oregon and Washington, relating to the Administration’s intent to join SPP Markets+ and the corresponding impacts to customers across the region.⁷ We recommend that the congressional delegation raise the following questions with BPA to better understand the impact of BPA’s DAM decision on regional customers:

⁵ See The State-Led Market Study, Roadmap–Technical Report (July 30, 2021), *available at* <https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/6148a012aa210300cbc4b863/1632149526416/Final+Roadmap+-+Technical+Report+210730.pdf>

⁶ Grid Strategies, Market Configuration Matters: Effects of Market Choices on Consumers in the Northwest US (June 2024), *available at* <https://gridstrategiesllc.com/wp-content/uploads/Market-Configuration-Matters-June-2024.pdf>

⁷ See Letter from Oregon Governor Tina Kotek to BPA Administrator John Hairston (March 28, 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/oregon-governor-kotek-032824-governor-kotek-letter-to-bpa-administrator-hairston.pdf>; Letter from Washington Governor Jay Inslee to BPA Administrator John Hairston (January 26, 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/20240126-washington-gov-inslee.pdf>. See Letter from Oregon State Legislature to BPA Administrator John Hairston (March 26, 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/20240326-oregon-state-legislature.pdf>. See Letter from six state agencies in Oregon and Washington to Russ Mantifel (May 3, 2024), *available at* <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>; Letter from six state agencies in Oregon and Washington to Russ Mantifel (March 1, 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/or-wa-state-agency-comment-on-bpa-dam-workshop-5-030124.pdf>.

- How does BPA’s decision on a DAM affect the region’s challenges related to expanding transmission?
- How does BPA’s participation in a DAM support or impact the region’s system reliability, resource adequacy, and states’ clean energy goals and mandates?
- How does BPA’s decision on a DAM impact customers of utilities operating in states with emission mandates associated with electricity generation?
- If BPA is in a different DAM than neighboring utilities—particularly utilities that will be serving the growing load in the Pacific Northwest—how will system reliability and resource adequacy be impacted?
- How will costs to use BPA’s transmission system change if the Administration is in a different DAM than neighboring utilities serving load in the region?
- What are the impacts to all Pacific Northwest electricity customers associated with BPA leaving the WEIM, should BPA decide to join SPP Markets+?
- How will the costs of BPA leaving the WEIM to join a new energy imbalance market and DAM be recovered by the Administration; how will this cost recovery impact customers?

We ask the Congressional Delegation to urge BPA to delay its record of decision and support a timeline that allows for emerging market developments. This will enable BPA to conduct comprehensive data analysis to ensure that it continues to operate in the best interests of all its customers across the Pacific Northwest.

Thank you for your attention to this critical matter.

Sincerely,

Advanced Energy United
 Clean Energy Buyers Association
 Climate Solutions
 Green Energy Institute – Lewis & Clark Law School
 Gridlab
 Interwest Energy Alliance
 LIUNA Northwest Region and LIUNA NW Region Affiliates
 Montana Environmental Information Center

National Wildlife Federation
 Natural Resources Defense Council
 Northwest Energy Coalition
 Oregon Environmental Council
 Renewable Northwest
 Save our Wild Salmon
 Union of Concerned Scientists
 Western Grid Group
 Western Resource Advocates

Cc: Mr. John Hairston, Administrator and CEO, Bonneville Power Administration