

January 5, 2024

**Re: Powerex's Comments on Bonneville Power Administration's Day-Ahead Market Workshop**

Powerex Corp. appreciates the opportunity to comment on Bonneville Power Administration's (Bonneville) day-ahead market participation workshops.

Powerex is one of Bonneville's largest transmission customers, with significant ongoing investments in long-term point-to-point firm transmission service rights on various paths on the Bonneville transmission system. Given the significant size and highly interconnected nature of Bonneville's transmission system across the Northwest, Bonneville's decision on day-ahead market participation will have widespread implications for western wholesale markets for decades to come and important implications for Bonneville's transmission customers, including Powerex.

Powerex is greatly encouraged by Bonneville's leadership, thoughtfulness, and ongoing commitment over the past few years in the regional initiatives that are reshaping the west. In particular, Bonneville has played a key role in supporting the development and launch of the Western Resource Adequacy Program, and more recently, Bonneville has been instrumental in the development of the governance and market design of Markets+. Powerex provides more detailed comments on Bonneville's day-ahead market decision below.

***Governance is Paramount***

The successful development of a full day-ahead and real-time organized market in the West is necessary for the region to achieve its grid decarbonization goals, deliver affordable electricity service for customers, and protect reliability. Success, however, requires a robust governance framework that includes a fully independent board, meaningful stakeholder voting rights, and a fully impartial market operator and market monitor. Success also requires that the market design be developed under such a governance framework, rather than being ported over from an existing market, particularly one that lacks such a governance framework. EDAM falls far short of these requirements and Powerex echoes concerns raised by Bonneville in its Motion to Intervene and Comment in FERC Docket ER23-2686.

In addition, Powerex does not believe the West-Wide Governance Pathways Initiative will deliver an acceptable governance framework for Bonneville's power and transmission customers, including Powerex, for several reasons. First, there is considerable risk that the initiative will not achieve its own stated objectives, given prior attempts to change California legislation have failed and the significant legal uncertainty associated with the proposal itself. Second, even if the initiative succeeds in seating, and fully empowering, a new independent board, the initiative unfortunately proposes to install a market operator that has a long history of advancing California interests ahead of the interests of ratepayers in other regions, in the multiple market design areas where inter-regional competing interests inevitably arise. CAISO is further challenged in transforming itself into a truly impartial market operator by its role and interests as a large participating balancing authority in the EDAM/EIM market. Third, the initiative proposes to start with the current EDAM/EIM tariff, business practices, and operational process, all of which have been developed under the CAISO's existing governance framework.

In contrast, SPP's Markets+ framework achieves all the necessary governance elements from the outset to provide a durable and equitable market platform for the entire footprint for many years to come. This governance framework



has already delivered tremendous success on numerous Markets+ market design topics, while building broad regional engagement, support, and confidence.

### ***Powerex Supports Bonneville's Perspective on the WMEG Study Results***

Powerex supports Bonneville's measured interpretation of the WMEG study results. Numerous quantitative benefits studies performed in recent years have provided western stakeholders with a potential range of production cost savings associated with organized day-ahead markets in the west. These studies may provide *some* informative value, however there are obvious limitations. By necessity, any study of one or more future day-ahead markets uses a highly simplified model of the real-world and will produce results that are highly sensitive to myriad assumptions (many of which are subjective). While providing some useful information about the potential range of aggregate production cost savings associated with the move to a regional organized market, it is unwise to rely on any specific study to accurately determine how those economic benefits may be allocated amongst individual participants, considering the important role that numerous nuanced market design elements play in such outcomes.

More importantly, no study can predict the key issues that will define the evolution of each market design over the years ahead. For example, prior to the summer of 2020, there was little anticipation of the looming controversy related to open access across the CAISO-controlled grid. As a result, no study conducted prior to this time would have been able to incorporate this CAISO-led market design choice. The key takeaway is that only a durable independent governance framework can provide confidence to Bonneville's customers that the market will evolve in a manner that fairly considers and balances the interests and priorities of all stakeholders for many years into the future. Powerex fully supports Bonneville's continued emphasis on a robust and independent governance framework as a fundamental prerequisite for its participation in a day-ahead market.

### ***Bonneville Should Continue to Demonstrate its Leadership and Move Quickly***

Powerex appreciates the leadership role that Bonneville has taken in the first phase of the Markets+ initiative in collaboration with stakeholders across the west. Bonneville and its customers have helped shape the Markets+ tariff and market design in numerous areas to ensure that Markets+ will properly value the clean and flexible federal hydro system while continuing to allow Bonneville to reliably serve its preference customers with low-carbon firm power. Furthermore, Markets+ is expected to provide a durable framework for preserving third party investment in the federal transmission system. Bonneville's dedication and engagement by its executives and senior staff has been essential to achieving these outcomes.

As the independent governance framework for Markets+ is now established and the major aspects of the initial market design are largely complete, Powerex urges Bonneville to move quickly to provide clarity to the industry on Bonneville's preferred day-ahead market option. Continued leadership by Bonneville may help executives across the west with their own timely decisions, as many have repeatedly expressed their desire for a large market footprint with strong connectivity and a diverse resource mix, including participation by the northwest hydro fleet. The west is at a crossroads and the decisions made now will set the course of western markets for the future. Bonneville's day-ahead market choice – expressed early and clearly – will help others to finalize their decisions and can play a key role in achieving a well-governed and well-designed western market with broad participation.

Respectfully,

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