



November 20, 2023

Via Electronic Submission

Re: October 23, 2023, Day-Ahead Market Workshop

The Alliance of Western Energy Consumers (“AWEC”) continues to engage in the Bonneville Power Administration’s (“BPA” or “Agency”) ongoing process for consideration of Day Ahead Market (“DAM”) participation. Over the last decade, AWEC has supported BPA’s efforts to investigate participation in various organized markets, such as the Energy Imbalance Market (“EIM”), the Western Resource Adequacy Program (“WRAP”), and now, the DAMs currently being reviewed. In considering whether BPA should join each of these markets, including a DAM, it is important to maintain objectivity during the investigation. While efficient markets are beneficial in general terms, it is critical that any participation in new market structures be guided by facts and analysis that demonstrate benefits to the Region, not simply an air of inevitability. To that end, AWEC appreciates BPA both conducting and sharing the results of the Western Market Exploratory Group (“WMEG”) Study. AWEC understands that the WMEG Study is based on a number of assumptions and that there is continued uncertainty around a number of those assumptions; however, the impacts to BPA’s customers – and ultimately AWEC’s members – must also be clearly understood. In working through these issues, AWEC appreciates BPA’s dedication to public involvement, and its efforts to build consensus around DAMs, which is an issue that has, at least historically, sharply divided the Region for decades.

During the October 23, 2023, workshop, BPA made clear that it was in the early stages of review of the analyses provided by E3 to the WMEG, and would “begin [to] compare the California Independent System Operator (CAISO)’s EDAM and Southwest Power Pool (SPP)’s Markets+ against a non-market alternative during the November 29th workshop.”¹ We appreciate the importance of this deliberative pace, and at this time, restrict our comments to identifying issues of significance, rather than taking positions on the ultimate question of whether BPA should lean toward joining an organized DAM, or which market it should consider participating in. A final position on the latter requires additional information and analysis that has either not been done or not been provided at this stage in the public engagement process.

First, AWEC agrees that footprint and transmission connectivity are critical to understanding the level and distribution of benefits that could be achieved through participation in either CAISO’s EDAM or SPP’s Markets+. However, it is less clear that benefits to BPA’s customers are conclusively demonstrated by the WMEG Study. During the October 23, 2023 Workshop, BPA made the following observations about the E3/WMEG analysis:

¹ The non-market alternative is referred to as the Business as Usual (“BAU”) scenario. <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/102323-dam-workshop-presentation.pdf> at 6.



- The WMEG results clearly show the potential for BPA to achieve financial benefits from DAM participation, [and]
- Footprint and transmission connectivity are significant drivers of monetary benefits and are two of the many considerations BPA is evaluating.

While we believe that efficient dispatch of resources does create better outcomes and the potential for regional benefits, without participation in a market structure that fully recognizes the value of the Federal system, such benefits may not be greater than the costs for BPA, and correspondingly, its customers. We encourage BPA to fully investigate the relative benefits of participation in DAMs that will optimally value the flexibility and other attributes of the assets marketed by the Agency.

Equally important is a better understanding of the cost shifts that may be involved in market participation under either scenario. While AWEC understands that BPA would be held harmless in the effort to recover its transmission revenue requirement (contrary to the suggestion of the WMEG Study that shows significant potential for revenue losses), it is unclear what cost shifts may be involved should there be an erosion of long-term transmission contracts, though we also recognize that it is similarly unclear at this time how likely the erosion of long-term transmission contracts may be. While BPA might be held harmless through its rate adjustment mechanisms, it is critical to understand where that revenue would be found, should a market participation choice lead to a realignment of how the revenue requirement of the transmission system is collected. It is, however, critical to understand, more generally, whether and what impacts exist to individual customers and whether some may be disproportionately financially impacted by BPA's decision.

Third, among a range of issues BPA is likely to consider, we encourage BPA to update its analysis of the WMEG Study to fully reflect the public announcements that have been made by various utilities that have decided to join either the EDAM or SPP's Markets+. Similarly, we agree with BPA's desire to further explore BAU cases, the effects of hydro variability, and hurdle rate impacts in the DAM case.

Finally, AWEC understands BPA to be about halfway through its public decision process based on publicly communicated timelines. However, feedback from a subgroup of stakeholders in prior meetings has included a call for BPA to delay its decision timeline in part due to a request for additional analysis and more certainty with the development of SPP's Markets+. AWEC would appreciate BPA either confirming the current process or providing an update on any amended process and timeline.

AWEC looks forward to continuing this discussion during the upcoming workshops and will provide further comments as this investigation continues.

/s/ Bill Gaines

Executive Director

Alliance of Western Energy Consumers