

PacifiCorp commends the Bonneville Power Administration's (BPA) transparent and engaging workshops regarding BPA's day-ahead market (DAM) decision. BPA's day-ahead market decision will have significant implications for many utilities in the western interconnection, including PacifiCorp, as PacifiCorp is one of the largest customers of BPA. Not only does PacifiCorp make large purchases of power from BPA in the bilateral market, but PacifiCorp also purchases more than \$100 million of transmission from BPA each year. Given this inter-dependence among BPA and PacifiCorp, PacifiCorp believes there is a risk of cost increases for customers of both BPA and PacifiCorp that will result from being in different day-ahead and real-time markets.

PacifiCorp thanks BPA for sharing their individual Western Markets Exploratory Group (WMEG) study results with stakeholders in the October 23rd workshop. Releasing the detailed results, giving BPA's interpretation of the results, and allowing stakeholders to ask questions was helpful. In PacifiCorp's view, the main takeaway of BPA's individual study results is that splitting the West into two markets leads to increased production costs for Northwest entities when compared to a West-wide market. In a split market footprint with Northwest entities in Markets+, transmission between California and the Northwest is under-utilized and diversity benefits are diminished. There are many other takeaways from the WMEG study that utilities can use in their day-ahead market decisions, but none are as important as highlighting the risks associated with having two markets.

PacifiCorp appreciates the opportunity to comment on BPA's DAM workshops. While PacifiCorp's comments will mainly be focused on the October 23rd workshop, they may be relevant to discussions from previous workshops. The comments below are categorized using a few of BPA's decision principles, and cover:

- Business
- Governance
- Strategy
- Customers

Business

In past workshops, many have asked BPA to:

- Provide a compelling case for why it might choose to move away from a single market in the West.
- Provide a robust business case that includes both quantitative and qualitative elements and is clear on assumptions, unknowns, and limitations.



There now have been several studies performed that analyze the benefits of regionalization in the Western Interconnection. While the studies use different methodologies and assumptions, they have had consistent results:

- A single west-wide market provides the most cost savings for consumers.
- A single west-wide market leads to the greatest reduction in greenhouse gas emissions.
- Two separate markets create seams that add inefficiencies that increase costs and reduce GHG benefits.

Each study has its shortfalls, and the WMEG study is no different. However, PacifiCorp believes the WMEG study, when adjusted to accurately reflect wheeling revenues, gives a reasonable representation of how different market footprints lead to varying benefits to utility customers across the West. For PacifiCorp, the main takeaways from the WMEG studies were:

- Creating a market seam between the Northwest and California reduces customer cost savings and increases emissions due to the hurdles of moving solar and hydro power.
- Regional diversity cannot be fully unlocked without a west-wide market.
- After adjusting for wheeling revenues, which PacifiCorp agrees with, BPA sees more benefit in the EDAM, regardless of the footprint, than in Markets+.

In the October 23rd workshop, BPA stated, “Bonneville will utilize WMEG results where appropriate to provide quantitative values.” This statement is ambiguous, and leaves open the possibility that BPA may not be using the WMEG study as a quantitative component of BPA’s eventual policy decision. BPA’s *Business* decision principle states that “Bonneville’s participation is supported by a sound business rationale.” If BPA determines there is another source to use for its quantitative analysis, PacifiCorp requests that it be shared with stakeholders.

One component of the quantitative analysis that has not been discussed, but is very important to consider, is the cost to join Markets+ vs EDAM. These costs should be factored into BPA’s DAM decision as it will directly impact BPA customer benefits and costs.

To help stakeholders better understand the various inputs into BPA’s business case(s) underlying the DA decision, we request BPA articulate:

- To what extent BPA plans on using the WMEG study in their eventual policy direction for DAM participation.
- Any stranded EIM implementation costs and its plan to recover such costs.
- Total anticipated costs to continue to fund Markets+ and implementation costs of Market+ compared to implementation costs of EDAM, and how the costs may impact transmission and power customers.



Governance

PacifiCorp acknowledges BPA's and other entities' desire for independent governance. Because certain entities have stated that independent governance is necessary for their participation in a DAM, many stakeholders are participating in the West-Wide Governance Pathway Initiative (WWGPI). The mission of the WWGPI is to develop an independent governance structure that is capable of overseeing an expansive suite of West-wide wholesale electricity markets and related functions. The initiative is currently being led by a broad coalition of individuals who represent state agencies, California transmission owners, EIM entities, public power, consumer advocates, independent power producers, large customers, labor, and public interest organizations. The group is actively working to find a solution to the governance issue, which many entities have stated is their roadblock for joining EDAM.

BPA has indicated that governance is an important component of its DAM decision and has stated their intention to make a policy decision in February 2024. However, to that end, PacifiCorp questions why:

1. BPA is not actively participating in the WWGPI, and
2. BPA's decision-making timeline does not include any considerations of the WWGPI outcome.

PacifiCorp believes BPA should be involved in the WWGPI process to help create the governance structure that BPA has said is needed to join a west-wide market. The WWGPI is still in the early stages of development and since there is still uncertainty around the timeline for what the DAM footprints will be, PacifiCorp requests that BPA modify its decision-making timeline.

Strategy

When comparing BPA's WEIM transfers to other similarly sized BAAs, BPA seemingly participates in the WEIM on a more limited basis than other entities. PacifiCorp requests that BPA share with stakeholders how they plan to participate in any future DAM. BPA's level of participation in either market has implications for the benefits other entities might expect if they are in a common market with BPA.

Customers

As BPA is the largest transmission provider in the Northwest, PacifiCorp would like to understand the impact to transmission availability and transmission rates. Specifically, PacifiCorp would like to understand the following:

- The availability of BPA transmission, both in the day-ahead and real-time, that can be purchased by PacifiCorp and other non-Markets+ entities if BPA joins Markets+.
- Potential rate increases due to BPA recovering costs associated with joining Markets+.
- How BPA plans to utilize their transmission in a future DAM.



While it is not yet known what the total costs will be to join and implement the day-ahead market options, the CAISO has estimated the average cost to onboard an EDAM entity will be \$1.2m¹. In February 2023, BPA estimated that its contribution to the Southwest Power Pool (SPP) for phase 1 development of Markets+ would be between \$1.5m and \$2.2m². It is not clear to PacifiCorp what the costs will be for the second phase of development of Markets+, and BPA's potential financial commitment will ultimately be dependent on which entities agree to join Markets+. Furthermore, there will be further costs for the technology, information systems, and staff changes that will be needed to operate in EDAM or Markets+. PacifiCorp believes the costs associated with the technology and information systems will be smaller in EDAM than for Markets+ because the EDAM will leverage the same systems that are used in the WEIM today. The total cost to BPA of implementing Markets+ will likely be significantly higher than for EDAM. PacifiCorp asks BPA to explain in a future workshop how they plan on allocating the costs of joining a DAM to their customers, and if transmission customers will be impacted.

Conclusions

While seeing BPA's individual WMEG study results has been helpful in better understanding the benefits and risks that come with different market footprints, it has also brought to light other questions for PacifiCorp. PacifiCorp requests BPA's response to:

- To what extent BPA plans on using the WMEG study in their eventual policy direction for DAM participation.
- If there are stranded EIM implementation costs, and if so, how BPA plans to recover such costs.
- What the total anticipated costs to continue to fund Markets+ are.
- The implementation costs of Market+ compared to implementation costs of EDAM and the plan to recover such costs.
- Why BPA is not actively participating in the WWGPI.
- Why BPA's decision-making timeline does not consider the WWGPI outcome.
- The possibility of BPA extending their DAM policy decision timeline.
- How BPA plans on participating in a future DAM.
- The availability of BPA transmission that can be purchased by PacifiCorp and other non-Markets+ entities if BPA joins Markets+.

¹ California ISO. Extended Day-Ahead Market Final Proposal. Page 126. December 7, 2022.

<http://www.caiso.com/InitiativeDocuments/FinalProposal-ExtendedDay-AheadMarket.pdf>

² Bonneville Power Administration. "BPA will contribute funds to SPP Markets+ Phase 1 development". February 24, 2023. News Release. <https://www.bpa.gov/about/newsroom/news-articles/2023/20230224-bpa-will-contribute-funds-to-spp-markets-phase-1-development#:~:text=BPA%20projects%20its%20costs%20associated,entities%20and%20balancing%20authorities%20participate.>



- Potential rate increases due to BPA recovering costs associated with joining Markets+.

PacifiCorp appreciates the opportunity to comment on BPA's potential DAM participation and looks forward to engaging in future workshops.