

November 20, 2023

Northwest Requirements Utilities (“NRU”) appreciates the opportunity to provide these comments in response to BPA’s October 23rd Workshop for Establishing a Policy Direction on Potential Day Ahead Market (DAM) Participation. NRU represents the interests of 57 Load-Following preference customers located in 7 states across the region that hold Network Transmission contracts with BPA. NRU’s members contract with BPA for almost 30% of BPA’s Tier 1 load.

NRU would like to reiterate our continued support for BPA’s exploration of the market alternatives available, and the possibility of enhanced value they represent for Load Following customers. Additionally, we continue to support the timeline BPA has established and its interest in concluding this evaluation process while there are two viable DAM alternatives available. That said, with only three Workshops remaining in the current DAM process timeline we also feel compelled to reiterate the fact that NRU’s continued support for BPA’s exploration and pursuit of the available market alternatives, along with any determinations or recommendations that may result therefrom, hinges entirely on the ability to demonstrate that participation is in our members’ best interests. To that end, we look forward to a thorough qualitative and quantitative analysis and proposal prior to any determination on market participation.

NRU also continues to share the concerns that WPAG, PPC, and NRU have raised repeatedly with respect to whether BPA’s participation in a DAM is compatible with BPA’s statutory, regulatory, and contractual obligations, including those to its preference customers. While NRU agrees with BPA’s determination that it has broad contract authority to join a day ahead market, additional information is needed to fully understand how the products and services in place under the Regional Dialogue contract, and that are proposed for the Provider of Choice contract would change, how load following customers will continue to receive service from the FBS for their net requirements loads every hour, and how BPA proposes to ensure that preference to federal surplus is maintained and accounted for “with a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles.”¹ Additionally, as noted in our previous comments, NRU requests that BPA

¹ Transmission System Act § 9, 16 U.S.C. § 838g (2020); *see also* Flood Control Act § 5, 16 U.S.C. § 825s (2020); NWPA § 7(a), 16 U.S.C. § 839e(a) (2020).

provide more information to Transfer Service customers as to how their loads and resources will be treated should BPA choose to join a market, irrespective of whether their transfer provider chooses to join the same market, or any market.

NRU appreciates BPA's presentation of the results from the Western Markets Exploratory Group (WMEG) study performed by E3. As a preliminary matter, NRU shares many of the concerns raised by PPC with respect to the assumptions used in the study, and the level of uncertainty inherent in relying on any conclusions that result. Additionally, NRU supports PPC's request for further study, and agrees that performing additional sensitivity analyses would be beneficial in illustrating how slight changes in those assumptions can have enormous impacts on the study results. NRU submits that the context this additional analysis would provide will prove invaluable in helping public power to better understand and evaluate the DAM opportunities that BPA is considering.

NRU also agrees with both PPC and BPA that the amount of lost wheeling revenue in the WMEG study is unlikely; both the EDAM and Markets+ alternatives include provisions intended to ensure that the TSP is held harmless from lost wheeling revenue after joining, a fact that the study seems to disregard. Further, NRU agrees with PPC's insight that the study's modeling of OATT rates as a \$/MWh charge to market activity ignores the value and likely use of long-term transmission rights and introduces transactional friction where it is unlikely to exist.

As to the WMEG study itself, NRU shares many of the concerns raised by TEA in their November 9 comments. Specifically, we have concerns with the following:

- The over-inflation of transactional friction assumed between EDAM and Markets+ in the Split Case Scenario dramatically overstates the expected seams impacts; assuming a significant export fee above BAU in a two-market scenario when the same long-term firm transmission rights are used is counterintuitive.
 - At a minimum, the OATT transmission charges should be consistent between the BAU case, the Split Case Scenario, and the EDAM Scenario.
- The study fails to assume that participants' firm transmission rights over a Transmission System Provider's (TSP's) system in a different DAM market would be utilized by that participant.
- The study assumes significantly reduced economic optimization depth due to the existence of disparate Resource Adequacy programs, without adequate justification.

Finally, NRU joins WPAG in calling for BPA to provide a clear roadmap that outlines (i) which topics will be addressed at the remaining scheduled workshops, (ii) what final decisions will be made in the March policy ROD, and (iii) what issues BPA intends to address after the March policy ROD and when. We remain concerned by the lack of clarity that remains given where we are in the process timeline and submit that without additional context and interpretation from

BPA, that the WMEG study results are likely to leave public power with more questions than answers.

Thank you once again for considering these comments, and we look forward to continuing to engage with you throughout this public process.

Sincerely,

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Northwest Requirements Utilities