

COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP REGARDING BPA'S DAY-AHEAD MARKET EVALUATION PROCESS

Date Submitted: January 5, 2024

A. Introduction.

The utilities that comprise the Western Public Agencies Group (WPAG) appreciate the opportunity to submit these comments in follow-up to the Bonneville Power Administration's (BPA) November, 29th Day-Ahead Market (DAM) Evaluation Public Workshop. WPAG values the information shared by BPA and the discussion among stakeholders at the workshop and provides the following comments. In addition, for ease of reference, we have compiled a list of our outstanding questions in this process, as we understand the February 1st workshop will be focused on addressing all outstanding stakeholder comments and questions.

B. 5B Rights/DAM Compatibility

With respect to the discussion on 5b rights and compatibility with a day-ahead market, it was helpful to hear BPA's perspective on how firmness of supply, certainty of delivery and if/how the environmental attributes of the federal system would be preserved in a DAM. However, as noted by stakeholders at the workshop, BPA has not yet fully explored with customers the legal questions surrounding its ability to join a DAM and has not explored all of the scenarios requested by stakeholders to fully understand how BPA joining a DAM would impact customer preference rights. BPA also did not clearly articulate whether it would make a final determination on its legal ability to join a DAM in the policy leaning decision in February or in a future DAM decision process. How 5b rights are preserved in a DAM, and BPA's legal ability join a DAM are foundational issues for BPA's decision-making process to join a DAM and should be a priority topic for the remaining time left in this public process.

WPAG Outstanding Questions:

- **Does BPA have the legal authority to join a DAM?**
- **Does BPA believe it must have contract authority from its customers to participate in a DAM?**
- **Is participation in a DAM compatible with BPA's statutory, regulatory and contractual obligations, including those to its preference customers?**
 - **How will negative prices and BPA's oversupply management protocol function in the context of a DAM Scenario? Provide a scenario that demonstrates how negative pricing is settled in the market today, and how it would be settled in a DAM.**
 - **If BPA joins a DAM, how will BPA ensure that its public body and cooperative customers receive preference and priority in the sale of federally generated power when BPA faces the prospect of load shedding in its BAA due to stressed system conditions within the DAM footprint? Scenarios: Run a scenario that demonstrates how BPA will ensure that its public body and cooperative customers receive preference and priority in the sale of federally generated**

- power when BPA faces the prospect of load shedding in its BAA due to stressed system conditions within the DAM footprint.
- If BPA joins a DAM, how will BPA ensure that the power rates paid by BPA's preference customers are based on the cost of the FBS and other resources acquired by the Administrator?
 - Is BPA planning to use the same approach for congestion rent distribution under both EDAM and Markets+?
 - How does BPA plan to distribute congestion rents to preference customers based upon various transmission products? Which transmission customers are anticipated to receive a congestion rent allocation? Those who purchase long-term (greater than 1 month) transmission service including firm network service, 6NN network service, firm point-to-point, conditional firm point-to-point? Would BPA propose to allocate congestion rents for short-term firm service (one month or less) including for hourly firm point-to-point?
 - In the event a transmission customer's reservation provides counterflow, are there instances where the transmission customer will be charged the locational price difference between its generation and load? If not, would this create a risk of under-collection in the day-ahead market so that there is insufficient congestion rent to make all transmission customers who are eligible for such rent whole?
 - In the event of a transmission outage after the monthly allocations, how is the shortfall distributed back to transmission customers?
 - In the event the quantity of transmission customers eligible for congestion rents cannot be funded by the day-ahead market overcollection, how is shortfall distributed back to transmission customers? Would there be a tiering of distribution based on either the firmness (e.g., firm vs. conditional firm/6NN) or duration of product?
 - Please run a scenario where the congestion rent allocation demonstrates that preference customers are not harmed by locational price differences between BPA generation and BPA load settlement price and that preference customers maintain benefit of low cost federal hydro system.
 - Please run a scenario where the congestion rent allocation is insufficient to mitigate locational price differences between BPA generation and BPA load settlement for preference customers.
 - If BPA joins a DAM, how will BPA ensure that it meets its treasury payment obligation?
 - If BPA joins a DAM, how will it ensure that its public body and cooperative customers receive the value of all the environmental attributes associated with the Federal Base System (FBS)?
 - What impact (if any) would a DAM have on Residential Exchange Program (REP) costs and benefits?
 - Could BPA's participation in a DAM help reduce the cost of the REP to preference customers by creating new opportunities to make in lieu acquisitions under NWPA §5(c)(5)?

- **If BPA joins a DAM, how will it calculate the cost-based NR rate pursuant to NWSA §7(f) to serve NLSLs and IOUs?**
- **What are the impacts a DAM will have on BPA’s Western Power Pool (WPP) Western Resource Adequacy Program (WRAP) participation?**

C. Public Process

WPAG appreciates the update BPA shared at the November 29th meeting regarding the public process in its decision to join a DAM. BPA provided helpful clarification that in addition to the ongoing public process, which will result in a February, 2024 policy direction that states if BPA intends to pursue a DAM and which market BPA will focus its efforts on, there will be a second public process that will culminate in a final decision on whether to join a DAM. This process would also include a series of public workshops where issues with market participation and its impact on BPA, its customers and its constituents are explored and evaluated. WPAG strongly supports a second phase in BPA’s decision-making process which will allow further opportunities to explore key issues with stakeholders and provide additional time for DAM options to mature and additional analyses to occur, as may be needed. For example, between February 2024 and a final BPA decision to join a DAM, FERC is likely to make a decision on the EDAM tariff filing, the Markets+ design will likely be finalized and filed with FERC and the West-Wide Governance Pathways Initiative is likely to have made substantial progress. BPA should retain flexibility going into this second and final decision-making phase and update its analysis and decision-making according to real-time market developments.

WPAG respectfully further requests that BPA clarify which decisions will be made in the policy direction decision in February, and which issues will be decided in the future decision-making process. For example, in particular, WPAG would appreciate clarity on when a final legal determination on BPA’s ability to join a DAM will be made and when a final decision on BPA’s business case to join a DAM market will be made. From WPAG’s perspective, given the foundational nature of the legal question and impacts on 5b rights in a DAM, these issues should be decided before a business case determination is made, but it remains to be seen whether the issues can be fully evaluated before a February policy leaning is made, with the time remaining in the public process. Lastly, it would be helpful for BPA to provide a timeline associated with the final decision-making phase.

WPAG Outstanding Questions:

- **When will BPA make a final decision on its legal ability to join a DAM market?**
- **When will BPA make a final decision on its business case to join a DAM?**
- **What is the timing of the second public process and final decision to join a DAM?**

D. Business Case Considerations

At the November 29th workshop BPA provided an overview of key design features across EDAM and Markets+. WPAG appreciated this discussion and found it noteworthy that the designs appeared to have more similarities than differences, with governance being one of the stand-out differences. From WPAG's perspective, this puts additional emphasis on the importance of market footprint and the WMEG study results as a key input into BPA's quantitative analysis and decision-making on a DAM. Stakeholders submitted significant comments and questions on the 10/23 workshop where WMEG results were presented and WPAG strongly encourages BPA to respond to these at the February 1st workshop and in particular address whether it expects to undertake additional analysis, such as evaluating a scenario where BPA does not join a DAM but many other entities in the region do.

WPAG Outstanding Questions:

- **Will BPA ask E3 to evaluate a scenario where BPA does not join a DAM but most of the West does?**
- **How will WMEG study results and key assumptions be incorporated into BPA's business case?** BPA indicated during the October 23rd workshop that it believes the assumption that BPA wheeling revenues will remain unchanged in a DAM is appropriate. WPAG agrees with BPA that it is unlikely BPA will no longer receive any wheeling revenues in a DAM. However, given that this assumption is the key driver of net production costs to BPA from DAM participation, WPAG requests that BPA provide additional support behind its thinking and provide additional insights into this assumption. For example, how do other production cost studies treat wheeling revenues? What portion of BPA's wheeling revenues are from long-term contracts vs. short-term purchases? Which of these does BPA believe would continue in a DAM and why?
- **Will BPA quantify start-up and ongoing costs associated with participating in the different market options (EDAM and Markets+) and include this in its quantitative business case?**
- **What weight will BPA afford the various business case elements in its decision-making?**
- **What is BPA's assessment of the two different market designs (EDAM and Markets+) and which would better meet the needs of BPA and its customers?**

E. Conclusion.

Thank you for the opportunity to comment. WPAG emphasizes the importance of addressing the outstanding stakeholder comments that have been raised in this process, and in particular, the foundational questions around BPA's legal ability to join a DAM and its ability to do so while preserving or enhancing the benefits of the federal system for its customers.