

To: Senators Wyden, Cantwell, Murray, and Merkley  
From: Northwest NGOs  
Re: Thank You for your letter re: BPA’s decision on day-ahead energy markets  
Date: December 19, 2024  
Cc: Administrator John Hairston

**The undersigned organizations write to express our deep appreciation for your leadership in raising serious and continuing concerns with the Bonneville Power Administration's (BPA) day-ahead market (DAM) process. We agree with and support each of the points raised in your most recent letter to Administrator Hairston (Dec. 13, 2024).** BPA has much to answer for in its decision-making timeline and analysis as well as in its actions and apparent commitments. Your active leadership is essential to ensure that, if BPA decides to join a day-ahead market, its decision is based on a sound, transparent financial analysis as well as a full and objective consideration of market governance issues.

Because the issues you have raised are so important to the future of not only electricity rates in our region but also the resilience, efficiency and ability of our energy system to meet climate/clean energy goals, **BPA should defer any decision on joining a day-ahead market until at least Fall of 2025 to allow for a complete and transparent comparison of the fully developed day-ahead market governance structures as well as a transparent consideration of the relevant economic considerations for both BPA and regional utility consumers.**

We offer below a few additional details that support the concerns you have raised in your recent letter, details BPA must address in any decision about joining a day-ahead market. These include: the impacts of BPA’s decision on the entire region due to BPA’s dominant role in our shared transmission grid; the multi-million-dollar cost increases of BPA abandoning the successful Western Energy Imbalance Market and paying the Southwest Power Pool to develop an nascent alternative; and the need for balanced governance in any day-ahead market that will give all western interests a fair and equitable role.

**As you note in your recent letter, new, comprehensive studies continue to show that the Extended Day Ahead Market (EDAM) proposal provides more economic benefits for BPA’s customers and the entire region compared to the Southwest Power Pool’s Markets+ proposal (Markets+).** These benefits arise in two ways. First, joining the EDAM leverages BPA’s prior investments in the Western Energy Imbalance Market (WEIM) that is already delivering hundreds of millions of dollars in ongoing cost savings and increased reliability to our region. Second, joining a day-ahead market with the largest footprint and deepest array of resource options leads to lower costs for supply, greater opportunities to monetize BPA’s excess power sales, and greater reliability. BPA’s own studies show that joining EDAM creates benefits ranging from \$65 - \$221 million per year compared to Markets+.<sup>1</sup> BPA’s current direction would thus require the region to spend hundreds of millions of dollars extra each year, thereby driving up everyone’s power bills, for an alleged governance benefit that cannot currently be clearly identified or articulated. As you state, “[a]ny market choice must be driven by a strong business case—thus far, BPA has not been able to make this case for Markets+.”

**BPA claims the Markets+ governance process is fairer and “ready to implement,” but this is not accurate.** The undersigned all support an effective, fair, and transparent governance structure for a Western electricity trading market. For this reason, we are engaged in both the EDAM and Markets+ processes to achieve this goal. This direct experience enables us to conclude that BPA’s latest assessment of the governance structure for each option is not accurate.

The Federal Energy Regulatory Commission has not approved the Markets+ proposal, including the purported governance structure. Further, Markets+ is a wholly owned project of the Southwest Power Pool, Inc., headquartered in Arkansas and headed by a board of directors which Markets+ participants have no role

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<sup>1</sup> See BPA, Presentation for 20240603 DAM Customer Workshop at slide 30 (November 4, 2024), *available at*: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/dam-workshop-9-presentation-110424.pdf>

in selecting and which likely has little appreciation for our region's unique characteristics. While the proposal includes a sub-body, the Markets+ Independent Panel, this committee is subject to the direct control of SPP, Inc. An obvious example of this is the proposed Markets+ development budget, approved in a closed meeting of the SPP Board, which asks BPA to spend \$25 million in customer money upfront to further develop the Markets + proposal. Closed-door decisions about spending Northwest customer's energy dollars are not good governance.

At the same time, BPA claims the EDAM governance model prioritizes California interests over others because the California Independent System Operator Board of Directors is appointed by the California Governor. This position is currently true but does not reflect the evolving state of affairs. Recognizing that a regional governance model is essential to realize the full benefits shown by all studies of joining the EDAM, a broad group of Western interests has developed an improved governance model for EDAM. Known as the Pathways Initiative, this group recently published a proposal to create a fully independent entity, based in the West and controlled by Western interests, to take over governance of the EDAM and WEIM markets. CAISO has already adopted the first step of this reform by allocating sole governance rights over the regional markets to the existing Western Energy Market Governing Body while also mandating this body ensure equal treatment to every state and local energy policy prerogative.<sup>2</sup>

The second step of the proposal, to set up a separate entity to take on the regional governance function, was adopted on November 22nd. Importantly, California-based entities now have new-found support to amend their own state energy policy to enable this transfer to a regional governance model.<sup>3</sup> While this revised governance structure is also subject to further review, we note that CAISO and the WEM Governing Body moved expeditiously to enact Pathways Step 1 through FERC and there is every indication they will do so for Step 2.<sup>4</sup> These proposals directly address concerns we share with you and BPA - creating a governance structure that is not beholden to any one entity and where all stakeholders have equal footing. There is no reason BPA cannot wait for this governance structure to be finalized before making a day-ahead market decision.

**BPA's day-ahead market decision, once made, will have an immediate impact on the northwest electricity system which requires careful consideration of the near-term impacts on customers.** Currently, BPA participates in the Western Energy Imbalance Market, operated by CAISO and overseen by the Western Energy Markets Governing Body. Since its inception in 2014, the WEIM has generated over \$6 billion in benefits for its participants and helped maintain reliability during extreme weather events. If BPA chooses Markets+ it will be required to abandon the investments it made to join the WEIM in favor of the smaller, unproven balancing market mandated by SPP, Inc. Further, SPP has demanded that BPA make a decision now to transfer some \$25 million of northwest customers' dollars to develop the Markets+ proposal. BPA has said it expects to miss revenue projections for this year by \$375 million, leading to \$280 million in losses.<sup>5</sup> With these costs soon to be passed on to northwest electricity customers through rate increases, adding an additional \$25 million to develop SPP's Markets +, a market option that will also cause continual excess power costs compared to EDAM, is simply imprudent. Moreover, as you say in your letter, “[w]hile BPA has said that this funding decision is not a commitment to join Markets+, SPP has characterized it otherwise, stating that “[implementation] activities cannot begin until prospective market participants execute phase two funding agreements, essentially committing to join Markets+.” BPA cannot have it both ways. Its refusal to invest a significantly smaller amount to support the Pathways Initiative and a fair governance structure for EDAM at least suggests BPA is not being fully transparent with its customers or the region.

The undersigned all recognize that joining a west-wide electricity market is essential to maintaining affordable and reliable power while integrating the growing clean energy being built across the West. We also all recognize the importance of fair and balanced governance to the success of this new paradigm of west-wide cooperation. We deeply appreciate your role in insisting that BPA slow down and address these issues in its day-ahead market

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<sup>2</sup> and <https://www.rtoinsider.com/85362-caiso-wem-boards-approve-pathways-step-1-plan/>

<sup>3</sup> <https://www.rtoinsider.com/90828-california-labor-public-power-sponsor-pathways-legislation/>

<sup>4</sup> <https://dailyenergyinsider.com/news/46151-boards-at-caiso-wem-approve-tariff-revisions-in-another-step-toward-regional-participation-in-extended-day-ahead-market/>

<sup>5</sup> [https://www.newsdata.com/clearing\\_up/briefs/low-water-high-power-purchases-drag-down-bpas-quarterly-revenues/article\\_c42543fe-19f6-11ef-83f0-b3efec754cf4.html](https://www.newsdata.com/clearing_up/briefs/low-water-high-power-purchases-drag-down-bpas-quarterly-revenues/article_c42543fe-19f6-11ef-83f0-b3efec754cf4.html)

decision process. Extending BPA's process to at least the Fall 2025 will provide more time to accurately assess the governance structures proposed by EDAM and Markets+ and to ensure that any decision delivers the greatest economic and other benefits to our states and region. There is no reason BPA must act sooner.

Thank you again for your leadership. We look forward to discussing these issues with you at any time.

Signed

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