



NW Energy Coalition Comments on the Bonneville Power Administration Day-Ahead Market Participation Evaluation

December 6, 2024

NWEC appreciates the opportunity to provide comments following the Bonneville Power Administration’s Day-Ahead Market workshop on November 4, 2024.

NWEC commends Bonneville for releasing the results of the E3 study and the extended discussion during the November 4 workshop. The new analysis fills many of the gaps in the 2023 Western Market Exploratory Group (WMEG) analysis and, as a topline result, concludes that the production cost model (PCM) based portion of BPA’s evaluation favors EDAM over Markets+ by \$65 to \$221 million per year.¹

This result confirms the October 2024 report by the Brattle Group² commissioned by NWEC along with partner organizations, concluding that BPA would gain net benefits in the range of \$130 million per year within the EDAM as compared to Markets+.

NWEC recommends that the Bonneville Power Administration not make a day-ahead market choice at this time, and retain its membership in the Western Energy Imbalance Market (WEIM).

Timing. Bonneville has already indicated it is unlikely to “go live” in a day-ahead market until the new Provider of Choice long-term contracts for preference customers are in place, which points to a starting date in 2029 at the earliest. This is a reasonable timeframe given the complexities of finalizing preparation for full day-ahead market operations and the urgent attention needed for numerous other high priority BPA initiatives.

There is ample time in 2025 for BPA to continue its review and await relevant developments on markets, while also fully pursuing its efforts on the Provider of Choice contracts, binding

¹ EDAM is the Extended Day-Ahead Market proposed by the California Independent System Operator (CAISO), and Market+ is proposed by the Southwest Power Pool (SPP). EDAM will build upon the existing Western Energy Imbalance Market (WEIM) which currently covers over 80% of the west for within-hour coordinated power transactions and transmission management to maintain system stability and reduce production costs. Markets+ will require creation of a separate new within-hour market as well as the day-ahead market component.

² The Brattle study is available at <https://www.brattle.com/wp-content/uploads/2024/10/BPA-Day-Ahead-Market-Participation-Benefits-Study.pdf>. A recording of Brattle’s webinar presentation and NWEC’s commentary are available at <https://nwenergy.org/news/listen-briefing-on-day-ahead-market-participation-benefits-study-focus-on-bonneville-power-administration-bpa-system-impacts-webinar/>

participation in the Western Resource Adequacy Program (WRAP), and fully engaging on its extensive package of nearly two dozen Evolving Grid transmission projects.

WEIM benefits. The Western Energy Imbalance Market has been in operation since 2014, providing over \$6 billion in benefits and strengthening grid reliability for participating utilities and agencies. Bonneville has been a full participant since May 2022 and in just over two years has shared in almost \$100 million of those substantial and growing benefits.³ In the mid-January 2024 Northwest freeze, the WEIM provided essential support in bringing in massive amounts of power from the rest of the west and keeping our lights on.⁴

The Pathways Initiative is creating a new, balanced and accountable governance mechanism for the WEIM/EDAM power market. NWECC agrees that production cost is not the only factor that must be considered in BPA's market assessment. The form and features of market governance are a top level concern.

Since its start in mid-2023, the Pathways Initiative has made rapid progress toward setting up a new Regional Organization (RO) that will take on management of the WEIM and EDAM in carefully defined stages. The Pathways roadmap will result in a new form of market governance that is superior in performance, transparency and independence compared to both CAISO and SPP.

In November 2024, the CAISO and Western Energy Markets formally approved Pathways Step 1 which transfers primary tariff authority to the WEM governing body.⁵ This decision sets the stage for Step 2 during which the new RO will be fully set up and the California legislature will consider new legislation which already has wide support to hand over market authority to a fully independent RO governing body.

Magnitude of losses from a second market. To date, all the regional modeling assessments of potential day-ahead market configurations have concluded that leaving the WEIM to join Markets+ would impose considerable net losses on BPA and its firm power customers.

Both BPA's updated study from E3 and the Brattle study co-sponsored by NWECC and others conclude these losses would be in the range of \$100 million per year. This is primarily because the much smaller footprint of a second western market (prospectively, part of the

³ <https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>

⁴ <https://nwenergy.org/featured/customer-side-resources-will-be-critical-as-rising-electricity-demand-extreme-weather-and-climate-change-impact-the-northwest-power-system/>

⁵ <https://www.caiso.com/about/news/news-releases/western-energy-market-governance-moves-forward>

Northwest and part of Arizona) would substantially constrain Bonneville’s surplus market revenues.

Impact on all Northwest utilities and consumers. In addition, NWEK has shown that other BPA transmission customers, especially in adjoining balancing areas, could be exposed to substantial increased costs resulting from the seams created with dual markets.

The seams costs and risks will be particularly onerous for the Northwest because, unlike eastern market regions, both EDAM and Markets+ would run on top of a single grid -- BPA’s transmission system. Our analysis of interchange data shows that utilities in adjoining BAs source 40% to 80% of their power for load across BPA’s transmission. The seams created within BPA’s grid by two markets would raise transaction and coordination costs for all utilities in the region and add to already steep bill pressure on all Northwest electric customers.

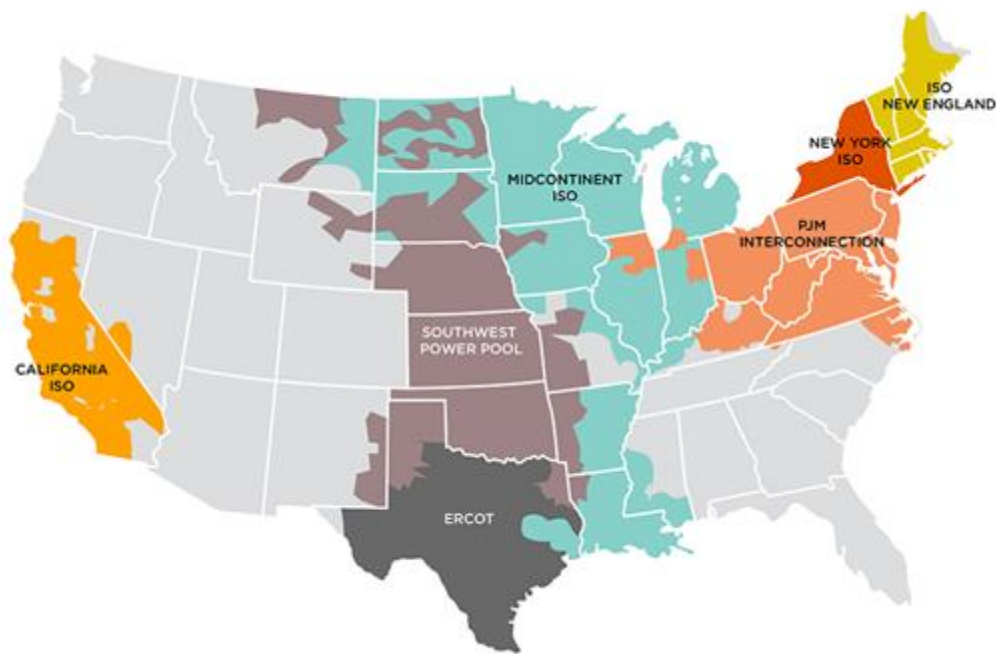
<i>values = aMW</i>						
baa	interchange			demand	% of demand	
	from BPA	to BPA	total		from BPA	to BPA
Avista	686	0	687	1493	46.0%	0.0%
AVRN	1	138	138			
BANC	289	158	448	1948	14.9%	8.1%
BC Hydro	1150	73	1223			
Chelan PUD	2	402	403	226	0.7%	178.1%
CAISO	373	246	619	24901	1.5%	1.0%
Douglas PUD	18	252	270	256	7.1%	98.6%
Grant PUD	31	276	307	714	4.3%	38.7%
GRID	1	185	186			
Idaho Power	9	49	58	2087	0.4%	2.4%
LADWP	737	36	773	2659	27.7%	1.4%
NV Energy	47	18	65	4397	1.1%	0.4%
NorthWestern	13	809	822	1363	0.9%	59.4%
PACW	976	1	978	2392	40.8%	0.1%
PGE	1730	0	1730	2568	67.4%	0.0%
PSE	1827	0	1827	2843	64.3%	0.0%
Seattle	888	0	888	1088	81.6%	0.0%
Tacoma	410	0	410	548	74.8%	0.0%
<i>AVRN and GRID - generation only BAA</i>						
<i>BC Hydro - demand data not available from EIA 930</i>						

Source: EIA 930/Grid Monitor data for 2023.

Impact across the western grid. In recent months a number of utilities across the west have announced their interest in the proposed day-ahead markets. Recently a group of Arizona utilities indicated their intention to join Markets+, but a single state market zone is not viable on its own.

As a result, Bonneville’s day-ahead market decision will control the outcome not only in the Northwest but across the west as a whole. BPA’s decision will be the key point for continuing to build on the success of the WEIM in a single major market footprint, or permanently splitting into two markets, with cost and reliability consequences for 90 million electric power customers in the western region.

Furthermore, the fragmentation of west-wide WEIM resulting from the creation of a second smaller real-time market as part of Markets+ would impose significant costs and risks to all WEIM participants.



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Permanence of a fragmented Northwest and western market. The evidence from eastern power markets is clear: once organized market boundaries are set, they are effectively cemented in place for decades to come. Very few utilities have ever switched between eastern RTOs, and no RTOs have ever merged or consolidated, despite the

obvious costs and inefficiencies. The seams created between eastern RTOs are difficult to manage, joint agreements are complex and unstable, and costs are significant and increasing.

Conclusion. As we stated in our August 15, 2023 comments: “The purpose and need of market development must be to *optimize* consumer value and achievement of clean energy policy, not merely to improve on the existing system. This should be the core of Bonneville’s consideration of joining a day-ahead market – the achievement of full available benefits over time, not merely a one-time increase in value.”

NWEC therefore recommends that the Bonneville Power Administration remain in the Western Energy Imbalance Market and not make a commitment to a day-ahead market at this time.

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