

## THE OREGON CLEAN GRID COLLABORATIVE'S COMMENTS ON BPA'S DAY-AHEAD MARKET PROCEEDINGS

July 17, 2024

To: Bonneville Power Administration, A-7

Re: Oregon Clean Grid Collaborative Members' Response to Bonneville Power Administration's Day-Ahead Market Proceedings, Policy Paper, and Staff Recommendation

The undersigned members of the Oregon Clean Grid Collaborative (“OCGC” or “Collaborative”) appreciate the opportunity to comment on the April 4, 2024, Bonneville Power Administration (“BPA”) day-ahead market policy paper and staff recommendation, and on BPA’s day-ahead market proceedings more broadly.<sup>1</sup> OCGC is a collaborative of Oregon-based environmental justice, ratepayer, conservation, labor, community-based, and clean energy advocacy organizations,<sup>2</sup> with the shared purpose of ensuring the development of transmission and the creation of a regional energy market(s) that will maximize the grid’s ability to equitably, affordably, and reliably distribute energy resources with minimal impacts to natural and cultural resources, and to support meaningful economic development in the region.<sup>3</sup> As the state of Oregon transitions to 100% clean electricity over the next two decades, our Collaborative’s organizations are committed to the equitable implementation of HB 2021’s mandatory targets for greenhouse gas emission reductions and broader policy principles, and ensuring that ongoing regional energy market(s) and transmission planning processes deliver meaningful economic benefits and emissions reductions for Oregon customers, communities, and workers.<sup>4</sup>

BPA’s market policy paper and staff recommendation, released on April 4 as part of its day-ahead market proceedings, aim to “provide greater insight into the analysis of Bonneville staff” on its market participation, to outline its active role in the development of both the California Independent System Operator’s (“CAISO”) Extended Day-Ahead Market (“EDAM”) and Southwest Power Pool’s (“SPP”) Markets+ offerings in order to ensure “the option of two viable markets that are compatible with Bonneville’s statutory obligations,”<sup>5</sup> and to enumerate the

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<sup>1</sup> BPA, Day-Ahead Market Policy Paper Attachment 1 (Apr. 2024), available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/02-day-ahead-market-attachment-1-staff-recommendation.pdf>

<sup>2</sup> As of July 2024, the Oregon Clean Grid Collaborative includes the following advocacy organizations: Oregon Environmental Council, Renewable Northwest, The Nature Conservancy, Green Energy Institute at Lewis & Clark Law School, Climate Solutions, Verde, Community Energy Project, Oregon Just Transition Alliance, and NW Energy Coalition.

<sup>3</sup> Oregon Environmental Council, Celebrating the Launch of the “Oregon Clean Grid Collaborative” (Sep. 2023), available at <https://oeconline.org/celebrating-the-launch-of-the-oregon-clean-grid-collaborative/>

<sup>4</sup> Oregon State Legislature House Bill 2021 (2021), available at <https://olis.oregonlegislature.gov/liz/2021R1/Measures/Overview/HB2021>

<sup>5</sup> BPA, Day-Ahead Market Policy Paper: Administrator Hairston’s Cover Letter (Apr. 2024), available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/01-bpa-dam-policy-letter-administrator-signed.pdf>

many considerations BPA must weigh in evaluating market design, including the equitable distribution of benefits to its preference customers and electricity consumers across the region.<sup>6</sup>

To these ends, OCGC offers comments on three primary areas: (1) the need for BPA to more meaningfully engage with the West-Wide Governance Pathways Initiative (“Pathways Initiative”), (2) the need for BPA to present more details on the technical and economic analyses driving its day-ahead market participation decision, and (3) the need for BPA to more critically consider the impact of its decision on the equitable distribution of costs and benefits to all ratepayers across the region, as well as on the environment. The Collaborative’s aim in offering these comments is to raise concerns from the perspectives of Oregon-based public interest organizations that are deeply engaged in their communities and with their state agencies and legislators. We are committed to supporting the implementation of Oregon’s clean energy mandates, and have taken significant time to educate ourselves about the implications of regional market and transmission development. Ultimately, we ask that BPA takes the time to properly consider and address each of the needs outlined in this letter and to adequately engage impacted communities, in order to avoid making a premature or ill-informed market participation decision that may have adverse impacts on the very people BPA is intended to serve.

## **Engagement with Pathways**

OCGC appreciates that BPA has been active in the development processes of both EDAM and Markets+, in recognition of the possibility that BPA will serve customers in both market footprints.<sup>7</sup> Given BPA’s stated interest of ensuring that “the option of two viable markets” arise out of its involvement in each market’s development, and given that BPA believes “independent governance and design elements are important considerations for the assessment of a market’s benefits,”<sup>8</sup> BPA must engage more meaningfully with the Pathways Initiative, which aims to create “a new entity with an independent governance structure capable of offering an expansive suite of West-wide wholesale electricity market functions across the largest possible footprint.”<sup>9</sup>

We recognize that modification of California legislation to address CAISO’s governance structure has historically been a significant barrier to EDAM becoming the single market offering for the West.<sup>10</sup> However, we are encouraged by the significant momentum of the Pathways Initiative and urge BPA not to prejudge its viability. Since the release of its Straw Proposal on April 10, the Pathways Launch Committee (“LC”) has clarified how its proposal for independent governance differs in fundamental ways from previous efforts, including both in structure and in the degree of support from a variety of organizations across the West. Most notably, instead of

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<sup>6</sup> BPA, *supra* note 1, page 18.

<sup>7</sup> BPA, *supra* note 5, page 1.

<sup>8</sup> BPA, *supra* note 1, page 18.

<sup>9</sup> Pathways Initiative, Frequently Asked Questions (Feb. 2024), *available at* <https://www.westernenergyboard.org/wp-content/uploads/Pathways-FAQ-02.02.2024.docx.pdf>

<sup>10</sup> BPA, *supra* note 1, pages 17-18

removing and replacing CAISO's governance with something entirely independent of the state of California and then having CAISO serve as the regional market operator, the Pathways Initiative proposes *transferring* governance of the market function to a new, independent regional organization ("RO"). Ultimately, this greatly increases the likelihood of the requisite legislation being passed.

Since the release of its policy paper on April 4, we appreciate that BPA has offered separate, in-depth comments on the Pathways Straw Proposal,<sup>11</sup> and also presented its views at the Day-Ahead Market ("DAM") Workshop on June 3.<sup>12</sup> Among other concerns in these comments, BPA argues that the LC's recommendation to pursue either Options 2.0 or 2.5 in Step 2 "sacrifices ultimate independence to achieve cost efficiencies."<sup>13</sup> Here, BPA correctly characterizes the tradeoff that all Pathways stakeholders must consider: that "the more the RO seeks to create its own autonomous capabilities...the higher degree of costs, responsibilities, liabilities, and obligations must be assumed by the RO."<sup>14</sup> However, OCGC would like to highlight that there is another tradeoff to be considered, that of "which approach...would draw in the most interested parties and increase the depth of market participation."<sup>15</sup> In other words, ultimate independence would not only increase operational costs for the RO, but also jeopardize the benefits that might otherwise arise from a market with a larger footprint. By only focusing on achieving full independence right away, BPA passes on the opportunity to unlock and share the benefits of broader market participation with its customers. Additionally, BPA has already shown its willingness to make this tradeoff when it joined the WEIM.

If BPA is to seriously evaluate two viable market options, it must engage in good faith with the Pathways Initiative and allow itself the time to properly consider the LC's Final Proposal before forming its draft and final Records of Decision. We respectfully request that BPA delays its draft policy, currently scheduled for August 2024, so that it can take a more active role in supporting the Pathways Initiative in its mission and so that it can meet its own goal of having two viable and independent markets to choose from. Engaging with Pathways would include participating in the stakeholder workshops scheduled for the summer and allowing the LC the time it needs to complete the Step 2 Final Proposal, a revised draft of which is expected at the end of September 2024, with a vote on the Final Proposal expected at the end of November 2024.<sup>16</sup>

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<sup>11</sup> Pathways Initiative, BPA Comments on WWGPI April 10th Proposal and Legal Analysis (May 2024), available at [https://www.westernenergyboard.org/wp-content/uploads/8.-Bonneville-Comments-on-Pathway-Proposal\\_Final.pdf](https://www.westernenergyboard.org/wp-content/uploads/8.-Bonneville-Comments-on-Pathway-Proposal_Final.pdf)

<sup>12</sup> BPA, Public Engagement for Establishing a Policy Direction on Potential Day-Ahead Market (DAM) Participation - Workshop 7 (Jun. 2024), available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/dam-workshop-7-presentation-060324.pdf>

<sup>13</sup> BPA, *supra* note 11, page 4.

<sup>14</sup> Pathways Initiative, Phase 1 Straw Proposal (Apr. 2024), available at <https://www.westernenergyboard.org/wp-content/uploads/Phase-1-Straw-Proposal.pdf>

<sup>15</sup> Pathways Initiative, *supra* note 14, page 30.

<sup>16</sup> Pathways Initiative, Monthly Stakeholder Meeting (Jun. 2024), available at <https://www.westernenergyboard.org/wp-content/uploads/Stakeholder-Meeting-Slides-6.28.24.pdf>

## Further Analyses

Several other BPA stakeholders have already commented on the need for increased transparency and further details on the technical and economic analyses BPA has conducted to support its policy paper.<sup>17</sup> The Alliance of Western Energy Consumers (“AWEC”) correctly states that “a rush to make a decision without the necessary information...is the worst possible outcome.”<sup>18</sup> OCGC is particularly interested in the following categories of further information because of their unique implications for Oregonians:

### 1. Further Analysis of Evolving Market Footprints

Market participation decisions by other entities - most recently by NV Energy (“NVE”), Portland General Electric (“PGE”), and Idaho Power Company (“IPC”) - need to be properly accounted for in BPA’s market analyses before BPA can arrive at a meaningful decision of its own. Much has already been written about the significantly decreased economic and reliability benefits that will arise from a “disintegrated” WEIM footprint.<sup>19 20</sup> As such, we support several others’ requests for the further analysis of evolving market footprint scenarios, including the Public Power Council’s (“PPC”) recommendation that BPA should conduct evaluations that “consider the impact of ‘unwinding’ BPA’s EIM participation... [and] the implication of having the West in two market footprints.”<sup>21</sup>

### 2. Further Analysis on Seams

Though BPA has indicated a preference for Markets+, the three investor-owned utilities (“IOUs”) with service areas covering most of the state of Oregon - PacifiCorp (“PAC”), PGE, and IPC - have indicated a leaning towards EDAM. We appreciate that at its May 8 DAM Workshop, BPA called on “CAISO and SPP to develop coordination agreements to proactively address seams issues” and that, in its comments to the Federal Energy Regulatory Commission (“FERC”) on the Markets+ tariff filing, BPA asked market

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<sup>17</sup> In their comments to BPA’s Policy Paper and Staff Recommendation, the following stakeholders requested that BPA conduct further economic and technical analyses before arriving at a market participation decision: the Alliance of Western Energy Consumers (AWEC), the Eugene Water and Electric Board (EWEB), the NW Energy Coalition (NVEC), the Northwest & Intermountain Power Producers Coalition (NIPPC), PacifiCorp (PAC), the Public Power Council (PPC), Puget Sound Energy (PSE), Renewable Northwest (RNW), Seattle City Light (SCL), the Western Public Agencies Group (WPAG), and the OR and WA State Agencies.

<sup>18</sup> BPA, AWEC’s Comments on BPA’s Policy Paper and Staff Recommendation (May 2024), *available at* <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>

<sup>19</sup> The role of the WEIM in keeping heaters and lights on in Oregon, and in our region more broadly, during the January 2024 extreme cold weather event is captured in CAISO’s Winter Conditions Report for January 2024 (Mar. 2024), *available at* <https://www.caiso.com/Documents/WinterMarketPerformanceReportforJan2024.pdf>

<sup>20</sup> The significant economic losses that should be expected from entities leaving the WEIM is highlighted in Brattle’s NV Energy Day-Ahead Market Benefits Study (Feb. 2024), *available at* <https://www.brattle.com/wp-content/uploads/2024/03/NV-Energy-Day-Ahead-Market-Benefits-Studies.pdf>

<sup>21</sup> BPA, PPC’s Comments on BPA’s Policy Paper and Staff Recommendation (May 2024), *available at* <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>

operators to “actively pursue solutions that mitigate any risks associated with seams between markets in order to protect customers.”<sup>22 23</sup> However, we were not only disheartened by SPP’s response to those comments, which deemed seams arguments “premature” until the Markets+ footprint could be finalized, but a recent Grid Strategies report has made clear that even seams agreements cannot overcome bad market configuration.<sup>24 25</sup> The presence of seams in our region will undoubtedly have negative impacts on the reliability and cost of electricity to Oregonians. In order to mitigate these impacts, and to preempt any unintended ones, we ask that BPA more seriously consider and analyze the impact of seams on its customers and on the region *before* market configuration is finalized.

### 3. Future Workshops on Greenhouse Gas (“GHG”) Accounting

OCGC’s organizations were actively engaged in the passing of HB 2021, and continue to be involved in its implementation. As such, we are deeply interested in how BPA’s market decision will impact GHG accounting in the region. Recognizing that these conversations are still underway in both markets, we support both PAC’s and Seattle City Light’s (“SCL”) suggestions to invite the market operators themselves to “explain the market design features...so that stakeholders understand how the market designs may impact them.”<sup>26</sup> This would allow stakeholders “the opportunity to ask questions directly to the market operators” and would go a long way towards ensuring transparency in BPA’s decision-making process.<sup>27</sup> Furthermore, we support our state agencies’ recommendation that BPA consult directly with them on how each day-ahead market would best work with Oregon’s non-pricing policies, “rather than assume one or the other market is best suited for state GHG policies.”<sup>28</sup>

We recognize that it will take more time and effort on BPA’s part to consider each of these areas more comprehensively. However, it is imperative that BPA arrives at the *right* decision for its customers and for the region as a whole, and that it proactively identifies and mitigates any negative consequences that may arise from its decision.

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<sup>22</sup> BPA, Public Engagement for Establishing a Policy Direction on Potential Day-Ahead Market (DAM) Participation - Workshop 6 (May 2024), available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20240508-dam-workshop-6-presentation.pdf>

<sup>23</sup> FERC, BPA’s Motion to Intervene and Comments on SPP’s Markets+ Filing (Apr. 2024), available at [https://elibrary.ferc.gov/eLibrary/filelist?accession\\_number=20240429-5372&optimized=false](https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240429-5372&optimized=false)

<sup>24</sup> FERC, Motion for Leave to Answer and Answer SPP (May 2024), available at [https://elibrary.ferc.gov/eLibrary/filelist?accession\\_number=20240521-5188&optimized=false](https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240521-5188&optimized=false)

<sup>25</sup> Grid Strategies, Market Configuration Matters (Jun. 2024), available at <https://gridstrategiesllc.com/wp-content/uploads/Market-Configuration-Matters-June-2024.pdf>

<sup>26</sup> BPA, PAC’s Comments on BPA’s Policy Paper and Staff Recommendation (May 2024), available at <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>

<sup>27</sup> BPA, SCL’s Comments on BPA’s Policy Paper and Staff Recommendation (May 2024), available at <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>

<sup>28</sup> BPA, State Agencies’ Comments on BPA’s Policy Paper and Staff Recommendation (May 2024), available at <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>

## Effect on Ratepayers and the Region

The Oregon Clean Grid Collaborative represents environmental justice, ratepayer, conservation, labor, community-based, and clean energy advocates throughout the state of Oregon. As such, we appreciate that BPA is focused on evaluating not just the aggregate benefits, but also the distribution of benefits in their market participation decision. We also acknowledge the outsized importance of independent market governance to BPA as a federal power marketing administration and because of legitimate concerns around EDAM's governance, as it stands.

However, we urge BPA to reconsider and to more explicitly outline how it is weighing independent governance against its other market evaluation criteria, especially that of economic benefits and other impacts to the region's ratepayers. In this, we echo the sentiments of our state representatives in their March 26 letter to the BPA Administrator: that "the single published metric BPA is using...considers the financial benefits/impacts to BPA itself but does not provide any indications of benefits/impacts on the region or on utility customers."<sup>29</sup> While we recognize that BPA has unique interests and constraints with regards to governance, BPA is an integral piece of the region's electricity sector and, as such, should take the time to more critically consider how its actions will impact ratepayers across the region. Specifically, we urge BPA to offer answers to each of the six questions posed in the letter from our state legislators.

Lastly, we wish to highlight, as Governor Kotek does in her March 28 letter to the Administrator, that BPA's market decision will have "generational impacts" and also "directly shape whether and at what cost Oregon utilities can meet the legislative requirements of House Bill 2021, to reach zero carbon emissions by 2040."<sup>30</sup> Washington Governor Inslee also highlights that "his state has stringent requirements to ensure electricity is powered by clean, non-emitting resources."<sup>31</sup> BPA's day-ahead market decision is not likely to be reversed within the timeframe by which our region needs to meet its climate goals. Inefficient configuration of the region's markets not only affects the cost and reliability of electricity to ratepayers now, but will also complicate the journey to net-zero by making it harder for our region's diverse clean energy resources to act complementarily to each other moving forward. As we have already begun to see, climate change has an early and outsized impact on marginalized communities, including Tribal Nations, people of color, and the economically disadvantaged. Though BPA must absolutely consider the finer details around market governance, GHG accounting, seams management and the like, our Collaborative also urges BPA to keep in mind the spirit in which it was formed and the types of people it was intended to serve with clean and cheap electricity. We hope BPA will take the time to make the right decision for ratepayers, for the region, and for the environment.

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<sup>29</sup> BPA, Oregon State Legislature Concerns over BPA's Process to Evaluate Benefits and Impacts Associated with Day-Ahead Market Participation (Mar. 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/20240326-oregon-state-legislature.pdf>

<sup>30</sup> BPA, Governor Tina Kotek Letter to BPA Administrator Hairston (Mar. 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/oregon-governor-kotek-032824-governor-kotek-letter-to-bpa-administrator-hairston.pdf>

<sup>31</sup> BPA, Governor Jay Inslee Letter to BPA Administrator Hairston (Jan. 2024), *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/20240126-washington-gov-inslee.pdf>

Again, OCGC appreciates the opportunity to provide comments on BPA's day-ahead market proceedings. We look forward to our continued engagement with BPA through its stakeholder process, and to offering further comments from the perspective of our diverse coalition of organizations.

Sincerely,

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**Renewable Northwest**

/s/ Laura Tabor  
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**The Nature Conservancy**

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/s/ Joshua Basofin  
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/s/ Anahí Segovia Rodriguez  
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