



July 3, 2024

VIA ELECTRONIC FILING

Russ Mantifel
Director of Market Initiatives
Bonneville Power Administration

Re: State Agency Comments on Bonneville Power Administration's Day-Ahead Market May and June Workshops

Dear Mr. Mantifel,

The Oregon Public Utility Commission, Oregon Department of Energy, and Oregon Department of Environmental Quality, Washington Utilities and Transportation Commission, Washington State Department of Ecology, and Washington Energy Office at the Washington State Department of Commerce (State Agencies) appreciate the opportunity to comment on the Bonneville Power Administration's (BPA) day-ahead market (DAM) evaluation.

BPA's pivotal role in the regional power supply and transmission infrastructure makes the decision of which DAM to join a consequential choice for the economies and residents of our states. The Pacific Northwest region as a whole will bear the consequences or enjoy the fruit of the choice. The State Agencies acknowledge that there is a diversity of views on market choice among BPA customers in our states, including the investor- and consumer- owned utilities. The intent of our comments is to ensure that BPA critically consider the effects to all ratepayers in the Pacific Northwest of its decision whether to join SPP's Markets+ (Markets+) or CAISO's Extended Day-Ahead Market (EDAM), recognizing the long-term importance of this decision on reliability, costs, and market governance, as well as on meeting our states' statutory climate and energy goals.

These comments respond to the May 8, 2024, and June 3, 2024, workshops. The State Agencies waited to provide comments based on our understanding that more details on the additional scenarios mentioned at the May workshop would be provided at the June workshop. However, those details were not provided at the June workshop and were still not available as of June 19 - two weeks prior to the July 3 public comment deadline. As a result, the State Agencies drafted these comments based on the workshops. On June 25, BPA informed the State Agencies that the details of the scenarios were available, which did not allow enough time for the State Agencies to review and provide feedback on the scenarios in these comments.

BPA has reiterated that it must operate in a businesslike fashion. A businesslike decisionmaking process, or in our view, a prudent decision-making process, seeks to optimize benefits and minimize costs and risks. Since the costs and benefits of this decision flow through BPA rate proceedings to both transmission and power customers, how specific costs or benefits may be allocated to different Oregon

and Washington electricity consumers is perhaps not knowable at the time of BPA's decision. What is clear is every electricity customer in the Pacific Northwest will see the impacts of this decision – either for good or for ill – in their bills and potentially in the reliability of their service.

In light of this broad impact and the necessity to make decisions in a businesslike fashion, we continue to be concerned that the Staff Recommendation appears to favor an option that produces fewer economic benefits and higher costs than a feasible alternative. Lost benefits and higher costs will translate directly to Oregon and Washington customers. In an era of rising cost pressures for both transmission and power customers, driven by increasing loads and the investments required to adapt to a changing climate, a decision to forgo benefits and undertake duplicative costs is highly questionable. Operating in a businesslike fashion means not only ensuring the selected option produces more benefits than costs, but also that it considers alternatives that produce more customer benefits and provides a careful and transparent accounting of who bears the burdens and risks generated by any alternative.

If BPA determines that qualitative factors require selecting an option that produces fewer customer net benefits than an alternative, it will be essential to transparently quantify the increased costs of that decision for all customers. The State Agencies believe that the additional scenarios suggested in prior comments are critical to both a businesslike analysis of options and a clear accounting of the economic value to the region of the qualitative factors BPA has identified.

The State Agencies appreciate BPA's responsiveness to some of our previous comments. This includes BPA saying at the May workshop that BPA plans to run EDAM Bookend scenarios for 2030 and 2035;¹ run scenarios focused on hydro variability;² and incorporate recent utility announcements regarding market leanings in its modeling.³ In addition, the State Agencies appreciated discussion of BPA's comments on the Pathways Initiative at the June workshop.⁴ At the same time, discussion of these items at the workshops raised some additional concerns, while other issues raised by the State Agencies are still awaiting response. These concerns and issues are detailed further below.

1. BPA should explain whether there will be opportunities for public comment on the details of the additional scenarios and the results as well as how BPA plans to incorporate the results and public comments on the results into its draft decision given BPA's stated timeline.

While the State Agencies appreciate that BPA is planning to run additional scenarios (some of which the State Agencies raised as early as last November), the rollout and timing raises concerns around how these scenarios will be incorporated into the decision, and whether there will be an effective opportunity to review BPA's evaluation of these scenarios.

At the May 8 workshop, BPA verbally announced that it planned to run additional scenarios and talked through these scenarios at a high level. BPA also said it would have more details to share on the scenarios at the June 3 workshop. BPA did not provide additional details at the June 3 workshop. Instead, BPA said that it would publish more information on the scenarios prior to the July workshop. Those details were not available two weeks out from the June workshop and the July 3 due date of these comments. The State Agencies were informed on June 25 that the details of the additional

¹ See recommendation #2 in State Agencies' comments dated May 3, 2024.

² See recommendation #8 in State Agencies' comments dated May 3, 2024.

³ See recommendation #1 in State Agencies' comments dated May 3, 2024.

⁴ See recommendation #7 in State Agencies' comments dated May 3, 2024.

scenarios were available – about a week before these comments were due. A few days later, on June 28, BPA informed the State Agencies that there was an error in the scenario details and that updated scenario details had been posted.

The rollout and timing of the scenarios raise multiple concerns. First, it is unclear whether the State Agencies and other stakeholders will have an opportunity to provide meaningful input on the details of the scenarios. This opportunity is something the State Agencies asked BPA to provide if additional analysis was conducted.⁵ The State Agencies and stakeholders need lead time to review and provide comment on the details, and the timing of release of the details hindered that for this round of comments. Further, BPA has said that it plans to present the results of the scenarios at the August 6-7 workshop – a little over a month from now. With this timeline, it is also not clear whether BPA could even incorporate public comments into the scenarios before they need to be run.

Critically, given BPA’s timeline, it is unclear whether and how the scenario results and any comments on the results can inform the draft decision. BPA is planning to issue its draft decision on August 29, 2024 – about three weeks after the August 6-7 workshop presentation of the results.⁶ This does not seem to leave stakeholders with enough time to digest the results, ask clarifying questions, and provide comments to BPA informed by the results prior to BPA’s draft decision. Moreover, it is unclear how BPA itself will be able to review and incorporate the scenario results and any stakeholder feedback on the results into its thinking on the draft decision.

These process concerns are magnified by the fact that the additional scenarios should help shed more light on the economics surrounding BPA’s DAM participation or BPA’s business case – an important and statutorily required criterion for the DAM decision⁷ – and a criterion that gets at the heart of benefits and costs to BPA’s power and transmission customers. It is important that there are opportunities to meaningfully shape the scenario details and discuss the implications of the results prior to BPA’s draft decision. BPA should explain how it plans to provide these opportunities for meaningful review and discussion as soon as possible.

2. In addition to running the EDAM Bookend Scenarios for 2030 and 2035, BPA should also run a two market scenario that reflects the relative costs and benefits of BPA participating in EDAM in 2030 and 2035.

The State Agencies previously recommended that “BPA should produce WMEG Study results for the EDAM Bookend scenario and a two market scenario that reflects the relative costs and benefits of BPA participating in EDAM in 2030 and 2035, including an EDAM RTO scenario on par with the Markets+ RTO scenario.”⁸ BPA mentioned at the May workshop that it plans to run EDAM Bookend scenarios for 2030 and 2035. However, BPA did not mention that it would also run a two market scenario for 2030 and 2035 with BPA participating in EDAM. The State Agencies still believe the two market scenario with BPA participating in EDAM would provide valuable information on the relative costs and benefits of BPA participating in EDAM. Again, a prudent and businesslike decisionmaking

⁵ See recommendation #9 in State Agencies’ comments dated March 1, 2024.

⁶ See BPA’s June 3, 2024, DAM workshop presentation, slide 44: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/dam-workshop-7-presentation-060324.pdf>

⁷ Bonneville Power Administration. *Day-Ahead Market Policy Paper Attachment 2: Preliminary Legal Assessment of Day-Ahead Market Participation*. April 2024. Pages 2-4. <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/03-dam-march-policy-paper-attachment-2-preliminary-legal-assessment.pdf>

⁸ Recommendation #2 in State Agencies’ comments dated May 3, 2024.

process must fully explore the benefits, costs and risks of alternative decision paths in order to understand customer impacts. A decision with so many regional implications, such as splitting the existing Western EIM footprint and imposing a new seam in the Pacific Northwest, warrants a timely and full review of the alternatives.

3. In light of the Staff Recommendation, BPA should further detail out the likely market “seams” if it were to pursue participation in Markets+, including the possible reliability risks and differential impacts on BPA customers, as well as potential solutions.

The State Agencies previously recommended that “[a]t an upcoming workshop, BPA should further detail out the likely seams issues if it were to pursue participation in Markets+ and the potential effects of those seams on maximizing benefits for its customers and the Pacific Northwest region.”⁹ At the May workshop, BPA reiterated the general seams discussion from the Staff Recommendation. Based on stakeholder feedback during the workshop asking for more details, BPA agreed to at least detail out the seams issues that are in BPA’s sphere of influence. The State Agencies continue to encourage BPA to provide as much detail as possible about the likely market “seams” and to do so as soon as possible prior to the draft decision.

As the State Agencies noted in previous comments, the region has seen rapidly emerging reliability challenges, particularly in regionally stressed conditions, that require significant transmission coordination among entities and with the currently singular Reliability Coordinator (RC), such as across the new North of Pearl flowgate. Similarly, as transmission to new loads is increasingly constrained and significant investments are required by all regional utilities to expand infrastructure to meet those loads reliably, the seam created if BPA pursues the Staff Recommendation to join Markets+ potentially erodes efficient use of those investments and raises costs for customers. As a result, the State Agencies are particularly interested in understanding the potential reliability risks and transmission-related impacts of seams if BPA joins Markets+. Some questions include:

- Will BPA be changing RC’s if it joins Markets+, and, if so, what are the likely impacts of an RC change from RC West to SPP’s RC? Will BPA quantify the risks and costs created and identify who will bear those risks and costs?
- How will the utilization of shared transmission investments such as the California Oregon Intertie (COI) be affected?
- What will be the impacts on BPA’s Open Access Transmission Tariff (OATT)?
- What are the specific differentiated impacts to power versus transmission customers?

There are a number of other questions and issues around seams as recent studies have identified.¹⁰ The State Agencies encourage BPA to provide detailed discussion of these issues prior to its draft decision. Any decision that would result in creating a seam should articulate why the benefits to the region warrant the seam and the costs and risks it creates.

⁹ See recommendation #6 in State Agencies’ comments dated May 3, 2024.

¹⁰ See “*Exploring Potential Seams Issues Between Proposed Western Day-Ahead Electricity Markets.*” Prepared for Public Generating Pool and Western Power Trading Forum by Energy Strategies and Gridwell Consulting. January 2024. https://static1.squarespace.com/static/5e9fc98ab8d9586057ba8496/t/65ac9f8f0e949c0ab00149a3/1705811857040/Western+Day-Ahead+Seams+Exploration+FINAL_240116.pdf; “*Market Configuration Matters: Effects of Market Choices on Consumers in the Northwest US.*” Prepared for Renewable Northwest by GridStrategies. June 2024. <https://renewablenw.org/sites/default/files/Reports-Fact%20Sheets/Market%20Configuration%20Matters%20June%202024.pdf>.

4. BPA should respond to all outstanding stakeholder comments as soon as possible and clarify how it is weighing its decision criteria prior to its draft decision.

BPA's Comment Tracker was last updated May 6, 2024. The Comment Tracker appears to only include comments through Workshop 5 held on February 1, 2024. Many of these comments do not yet have responses from BPA (including some of the State Agencies' comments). Further, the Comment Tracker does not include subsequent comments received (including the State Agencies' May 3 comments). Prior to issuing its draft decision letter, and ideally as soon as possible, BPA should update its tracker to reflect subsequent comments received and respond to all the outstanding comments. This not only would provide stakeholders with more assurance that their comments are being considered, it would also facilitate dialogue as stakeholders would have a better understanding of BPA's consideration of the issues identified.

In addition, as part of the Pathways Initiative discussion at the June workshop, BPA acknowledged that how it is weighing its decision criteria is not exactly clear. BPA said it would attempt to clarify how it is weighing the criteria. The State Agencies look forward to this clarification as it is critical to understanding and assessing BPA's DAM decision analysis.

Again, the State Agencies appreciate the discussion in the May and June workshops and the opportunity to provide comments.

Respectfully submitted,



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