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TACOMA PUBLIC UTILITIES

December 6, 2024

Bonneville Power Administration
905 NE 11th Ave
Portland, OR 97232

Via email: TECHFORUM@BPA.GOV

Re: Comments from Tacoma Power (“Tacoma”) to Bonneville Power Administration on the November 4, 2024 Workshop 9, BPA’s Public Engagement for Establishing a Policy Direction on Potential Day Ahead Market Participation (“Workshop 9”)

Tacoma appreciates the level of detail and thoughtfulness that BPA put into Workshop 9 as part of BPA’s ongoing transparent and deliberate process towards making a day-ahead market decision. Tacoma has been a power and transmission customer of BPA for decades and looks forward to a durable continuation of that partnership. We appreciate and support the way BPA is evaluating this issue and opportunity. As a member of the Public Power Council (“PPC”), Tacoma endorses and joins the comments filed by PPC with BPA about Workshop 9. We comment separately to highlight a few unique perspectives.

BPA’s Process has been Thorough and Transparent

By the time of BPA’s anticipated Final Letter to the Region in May 2025, BPA’s formal and public process will have encompassed approximately two years. During that time BPA will have conducted more than ten public workshops vetting BPA’s decision criteria, studies, and timeline, and will have considered dozens of comments submitted by various stakeholders with interest in BPA’s decision. This process is an appropriate foundation for a decision that should provide durable benefits to BPA and its customers.

Concurrent with those formal processes, BPA has continued to engage and contribute to other activities that impact day-ahead market options in the Western Interconnection. This has included participation and comments to both CAISO and the Southwest Power Pool as they have developed the Extended Day-Ahead Market (“EDAM”) and Markets+, as well as engagement with the West-Wide Governance Pathways Initiative (“Pathways Initiative”).

BPA’s process has developed a comprehensive record to support a day-ahead market decision.

By Providing an Additional Day-Ahead Market Option, Markets+ has Improved All Market Options in the West

While actively engaging in all market development activities in the West, BPA has also provided financial support for the development and design of Markets+. Tacoma has done the same, and in November 2024, the Tacoma Public Utility Board voted unanimously to support Tacoma's funding of the next phase of Markets+ development. We appreciate BPA's public commitment to similarly support that phase. The designs of both EDAM and Markets+ have benefited from the support each continue to receive from a critical mass of utilities who are committed to support the growth of each day-ahead market.

BPA has Appropriately Prioritized Market Governance

A market design, feature, or projected benefit is not durable in the absence of independent market governance. A pragmatic view of a day-ahead market decision requires durability to the decision considering both sunk costs and foregone opportunities. The need for durability drives Tacoma's position that independent governance is a mandatory threshold requirement. We cannot consider committing Tacoma's unique and valuable resources to a day-ahead market without confidence that independent governance exists and will continue to do so.

Tacoma supports BPA's similar commitment to independent governance as a necessary component of a day-ahead market, and BPA's reaffirmation of that commitment during Workshop 9. Markets+ has been built from the ground up with a fully independent governance structure, while EDAM will operate under organizational and statutory mandates specific to California. The Pathways Initiative offers the potential to increase the independence of EDAM governance. But without repeating the multiple comments both BPA and Tacoma have made to the Pathways Initiative, we reiterate that its Step 2 Final Proposal offers both an insufficient and uncertain path to independent governance.

BPA has Thoroughly and Transparently Evaluated Potential Production Cost Results

Like other utilities considering day-ahead market options, BPA has conducted thorough production cost studies. BPA has also transparently published those study results and updated them as potential market footprint scenarios evolve. The updated analysis presented during Workshop 9 is timely and useful, demonstrating the impact study assumptions and biases can have on results.

Unlike other studies conducted without BPA's involvement, the results BPA presented in Workshop 9 take a long view, evaluating scenarios for 2026, 2030, and 2035, and recognize the potential for the Markets+ flow-based dispatch to enhance existing trade and relax market friction by minimizing hurdle rates associated with transactions across the market footprint. These updated results

show that either potential day-ahead market will yield incremental benefits of about \$200M per year for BPA, once realistic “cross-market transactional friction” assumptions are used. These results produce a defensible and comprehensive analysis against which BPA can balance other market design and governance implications.

BPA is Appropriately Balancing Production Cost Results as One of Many Evaluation Criteria

Production cost projections are an important component of evaluating day-ahead market options. But they are only one component that must be balanced against independent governance and other market designs. Without that balance, production cost modeling is not durably reliable to predict long-term impacts. BPA accurately recognized the proper role of production cost model results during Workshop 9, noting that these results do not attribute appropriate benefits to issues like greenhouse gas treatment, fast-start pricing, scarcity pricing, bid caps, market power mitigation, and out-of-market actions.

Additionally, production cost modeling does not fully evaluate the benefits of joining a market with a common resource adequacy standard, a meaningful advantage of Markets+ over EDAM. Markets+ is built on the Western Resource Adequacy Program (“WRAP”) standard. CAISO relies on the less rigorous California Public Utilities Commission resource adequacy standard, and the broader EDAM footprint will not be required to meet any common resource adequacy standard. The differences in market design result in a greater risk within EDAM that participants could be forced to over-procure capacity, a result with costs that could surpass any production cost savings.


BPA’s Day-Ahead Market Evaluation Process Focuses on BPA’s Customers

There are many stakeholders across the Western Interconnection with diverse policy and financial interests in any day-ahead market decision that BPA makes. Tacoma appreciates BPA’s continued focus on the implications of any BPA decision on its customers. In January of 2024 Tacoma submitted comments stating that as BPA considers day-ahead market options, BPA must also serve its customers with products that will enable its customers to be successful participants in that market. We appreciate that BPA has focused on that necessity both in the ongoing Provider of Choice process and in previous day-ahead market workshops where BPA has outlined its view of the mechanics of market participation for BPA and its customers. We encourage BPA to continue its commitment to the needs of its customers.

Conclusion

Tacoma appreciates and supports the transparent and deliberate way BPA is approaching its day-ahead market decision with a recognition that BPA

customers like Tacoma face similar decisions. In Workshop 9 BPA presented a balanced evaluation considering independent governance, production cost modeling, and implications of market design differences. BPA's continued evaluation of these balancing interests will create the best potential foundation to enable a final decision in May 2025 that will benefit BPA and its customers.

Signed by:

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12/06/2024

Ray Johnson
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