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## **TransAlta Energy Marketing Comments on Bonneville Power Administration’s November 4, 2024 Day-Ahead Market Stakeholder Workshop**

### **Introduction**

TransAlta Energy Marketing (U.S.) Inc. (TEMUS) appreciates this opportunity to submit comments in response to the Bonneville Power Administration’s (BPA) stakeholder workshop held on November 4, 2024 exploring its participation in a regional day-ahead market (DAM).

TransAlta owns and operates generation in Washington state and transacts physical, and financial wholesale power across multiple markets including AESO, CAISO, Mid-C, DSW, SPP, PJM, MISO, ISO-NE, ERCOT, and NYISO, as well as trading in environmental markets across Canada and the U.S. TEMUS utilizes an inventory of transmission rights for its trading and asset optimization activities, and so has a vested interest in understanding the proposed requirements, impacts, and operational procedures for participation in a regional day-ahead market.

### **Comment Summary**

TEMUS appreciates BPA’s willingness to explore further economic modeling and share these findings with stakeholders, as well as its transparency around its assessment of DAM governance.

In addition, TEMUS also appreciates BPA’s active engagement in PacifiCorp’s (PAC) and Portland General Electric’s (PGE) Extended Day-ahead Market (EDAM) tariff development process. During the November 4 workshop BPA offered to incorporate stakeholder concerns in BPA’s comments on EDAM entities’ tariff revisions. TEMUS welcomes further details about this advocacy channel.

While TEMUS agrees with BPA that independent governance of a DAM is an important decision factor, equally important is a process for stakeholder input, as recent experience with PAC’s and PGE’s EDAM tariff revision process illustrates. TEMUS is

alarmed that PAC’s EDAM tariff<sup>1</sup> was filed with the Federal Energy Regulatory Commission (FERC) without incorporating any of the input of the largest market participant in the Pacific Northwest – BPA. Given this, BPA’s promise to “monitor impacts on transmission sales and advocate for market design changes as appropriate” may not be an effective strategy to address concerns of its customers.

The economic modeling presented at the November 4 workshop incorporates some of the stakeholder comments that BPA received from previous workshops. However, this modeling continues to focus much more heavily on power customers than on transmission customers. TEMUS disagrees that the impact on BPA transmission products and services are simply “implementation issues” to be addressed at some later date.

Given the stark differences in key DAM transmission design elements between the California Independent System Operator’s (CAISO) EDAM tariff<sup>2</sup> and PAC’s EDAM tariff, BPA’s “transparent consideration of the commercial and operational impacts on its products and services” should be revisited and explored in greater depth, including potential cost shifts between customer classes. TEMUS looks forward to this reevaluation in the January workshops.

All the DAM economic studies conclude that the amount of participant benefits depends largely on the size of the market footprint. Therefore, the cautious risk-adverse approach applied by BPA to joining the EIM would be equally applicable to DAM participation and TEMUS agrees with other stakeholders that BPA should consider delaying its final decision.

## **Detailed Comments**

### Governance

TEMUS appreciated learning more about BPA’s assessment of DAM governance during the November 4 workshop and agrees that governance of any regional market should be as independent as possible so that the interests of all market participants and stakeholders are considered.

In addition to independence, TEMUS also agrees that that the governance process is equally important, with decision-making and stakeholder engagement occurring in a transparent, inclusive and equitable manner.

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<sup>1</sup> PAC filed their tariff revisions with FERC on November 26 ([ER25-573](#)).

<sup>22</sup> [ER23-2686](#) and [subsequent amendments](#)

TEMUS is deeply concerned with the lack of process and stakeholder engagement in the tariff revision process thus far of PAC and PGE, and the unwillingness of these EDAM entities to respond to the concerns of their transmission customers.

This unresponsiveness and lack of transparency<sup>3</sup> is especially concerning as transmission customers are involuntary EDAM participants and under the proposed tariffs have no ability to “opt-out”.

While TEMUS agrees that the West-wide Governance Pathways Initiative can improve governance in the CAISO’s Western Energy Imbalance Market (EIM), it only addresses the governance for the market(s) as a whole. The governance process for each EDAM entity is not addressed, and as can be seen by the PAC tariff, there can be a wide gulf between the outcomes at different levels of decision-making. This creates the potential for market inconsistency among the Balancing Area Authorities (BAA) participating in EDAM, seriously dampening market efficiency.

### Transmission

While TEMUS appreciates the complexity of the decision to join a DAM, TEMUS continues to have concerns that BPA is not weighing the impact on its power and transmission customers equally.

At the November 4 workshop BPA stated that it would discuss potential changes in future stakeholder meetings and in future rate and tariff pre-proceeding workshops. While TEMUS understands that BPA does not yet have answers regarding the operationalization of transmission rights, these details matter a great deal to transmission customers when determining the value proposition of DAM participation.

DAMs are much more complex than the real-time WEIM, and BPA has not sufficiently explored impact on transmission customers. For example, BPA has not explored with stakeholders how third-party transmission rights on paths operated by BPA will be affected. TEMUS is concerned that waiting to address these impacts in pre-proceeding workshops will be too late to influence BPA’s decision-making.

In addition, TEMUS is deeply alarmed that there already appears to be significant differences between the EDAM final market design and the tariffs of EDAM entities, namely PGE and PAC, and these differences greatly affect the value proposition of EDAM for transmission customers.

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<sup>3</sup> For example, in their March 2024 presentation PGE assured transmission rights customers that they had the ability to withhold their capacity in EDAM and in Markets+, but this was subsequently removed in their EDAM draft tariff.

TEMUS was involved in the development of CAISO’s EDAM market design, and a key underpinning of the design was that transmission rights holders had the choice to either voluntarily surrender transmission to EDAM for optimization or to withhold their transmission from optimization while maintaining scheduling prioritization. This optionality allows for the partial preservation of the value of transmission rights, namely flexibility, certainty, and flow priority.

However, PAC and PGE have been uncompromising in the elimination of the ability for firm transmission customers not only to use their rights in to schedule in day-ahead, but also to be protected from congestion. This lack of inconsistency between the EDAM DAM tariff and the EDAM tariffs of participating BAAs should be factored into BPA’s DAM decision-making.

#### Reliability and Operational Impacts

The misalignment between the EDAM market design and its execution by the various EDAM entities not only devalues transmission rights but also undermines the intended goal of DAMs – resource adequacy.

Both PGE and PAC have chosen to allocate congestion revenue based on measured demand, thereby disincentivizing rights holders to release their transmission for optimization.<sup>4</sup> In addition, market liquidity will be reduced because these EDAM entities have not allowed economic bidding at their interties or external resource participation. This lack of liquidity could be exacerbated by the ability of individual EDAM BAAs to hold back supply for self-determined risk of supply scarcity – which then calls into question the quantification of economic benefits of DAM participation that BPA explored in the November 4 workshop. TEMUS questions how, given these limitations on bilateral contracting which has traditionally stepped in to fill supply shortfalls, Load-serving Entities (LSE) are expected to avoid the “black box” Resource Sufficiency Evaluation (RSE) penalties in the timeframe anticipated in the EDAM entities’ tariff.

The EDAM entities’ refusal to allow economic intertie bidding or external resource participation circles back to the question of governance at all levels and the evergreen promises of “later”. Despite the CAISO’s commitment at the time of FERC approval, the only BAA authorizing economic bidding at its intertie is the CAISO.

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<sup>4</sup> See Brattle Group, “The Proposed Day-Ahead Markets in the WECC: A Comparative Assessment of EDAM and Markets+ Design Features,” October 1, 2024

### Production Cost Analysis

TEMUS appreciates BPA's willingness to explore additional scenarios and its transparency in sharing the results with stakeholders. However, like the previous studies, this additional analysis focuses on the impacts on only one class of BPA customers, namely power customers. The impact on transmission customers and current BPA practices of wheeling, intertie use, scheduling priority, etc. are ignored. While TEMUS recognizes that power customers represent a larger revenue segment than do transmission customers, BPA has a responsibility to consider the impact on all its customers.

The results of all the various market studies weighing participation in DAMs for different potential DAM entities can be simply summarized: the benefit depends on the market footprint. The bigger the market footprint, the bigger the benefits of joining. E3's latest study justifying participation in EDAM is hypothetical and dependent on the assumed market footprint, and therefore it is reasonable for BPA to take a "wait and see" approach to market development as it had with WEIM.

### **Conclusion**

TEMUS appreciates this opportunity to comment on BPA's November 4 workshop revisions and looks forward to future workshops and continued stakeholder engagement so that transmission customers can better understand how BPA's participation in a DAM will change its current practices.

Yours truly,

**TransAlta Energy Marketing (U.S.) Inc.**

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