

NIPPC Comments-- BPA Day Ahead Market workshop January 30, 2025

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) offers the following comments in response to BPA’s Day Ahead Market Workshop held on January 30, 2025.

NIPPC is a membership-based advocacy group representing competitive electricity market participants in the Pacific Northwest and Intermountain region. NIPPC has a diverse membership including independent power producers and developers, electricity service suppliers, transmission companies, marketers, storage providers, and others. Nearly all NIPPC’s members purchase transmission service from BPA. All NIPPC’s members will be impacted by BPA’s decision to join a day-ahead market.

BPA’s self-imposed deadline to decide whether to join a Day-Ahead Market is fast approaching. With that deadline looming, NIPPC limits these comments to urge the Administrator to delay a final decision on whether to join a Day-Ahead Market until the last quarter of 2025.

In considering whether to join a Day-Ahead Market, BPA has faced the choice of deciding between two nascent options – the CAISO’s EDAM and SPP’s Markets. According to most studies of the potential economic benefits between the two options, EDAM offers greater benefits to BPA and its power customers – depending upon the study assumptions, those benefits may be substantially greater. While generally offering lower economic benefits, BPA has indicated that Markets+ has a perceived advantage over EDAM in that its governance processes are stakeholder driven and independent of California politics.

In recognition that the governance processes of EDAM presented an obstacle to broader adoption of that market design effort, stakeholders across the West initiated the Pathways process to develop a suite of reforms to the governance of EDAM to make it independent of California. This effort culminated in the Pathways Step 2 proposal which, if adopted, would mitigate, in NIPPC’s view, the governance concerns that BPA has identified as a limitation of EDAM. On February 20, 2025, members of the California legislature introduced SB 540 as the mechanism to implement the Pathways Step 2 proposal to bring greater independence to the governance of EDAM. While it is true that previous efforts to reform CAISO governance derailed over concerns that governance changes would erode California control over its critical public policies related to energy procurement, planning, and environmental policies, SB 540 balances these concerns by focusing on making energy market governance independent, in accordance with the parameters of the Pathways Step 2 proposal, and preserving other corporate responsibilities of the CAISO (e.g., transmission operations) to the CAISO Board. SB 540, if passed, would allow a new regional organization to carry out the governance responsibilities of managing the market rules for EDAM and WEIM, including holding sole Section 205 rights under the Federal Power Act at the Federal Energy Regulatory Commission.

NIPPC acknowledges that BPA has committed to SPP to fund Phase 2 of the Markets+ development. While the range of \$27 to 40 million BPA would have to pay is more than NIPPC thought was prudent at this stage, nevertheless this commitment means that Markets+ can remain viable as an option over the remainder of 2025. BPA therefore also retains the full option to delay making a draft or final commitment to Markets+ pending action by the California legislature, without undercutting the financing that SPP has required in order to pursue Phase 2 of Markets+. If BPA later determines that an option other than Markets+ is the appropriate commitment to make (either EDAM or joining neither market), NIPPC understands that the Phase 2 commitment is a sunk cost that cannot be recovered. Such is the tradeoff of making such a financial commitment prior to a formal commitment to join the market, and NIPPC underscores that BPA's Phase 2 financial commitment cannot become pre-decisional, i.e., a new argument or rationale by itself in favor of joining Markets+.

Even if BPA formally commits to Markets+, BPA will continue to have an interest in governance reform of EDAM and CAISO. BPA will continue to have preference customer loads located in Balancing Authority Areas which have already committed to EDAM. BPA's secondary sales are likely to continue to be predominantly to loads in CAISO and to other EDAM market participants. A more independent governance of EDAM may also change the dynamic and focus as EDAM and Markets+ tackle necessary a Seams Agreement (or Joint Operating Agreement) to facilitate inter-market transactions. These are merely some of the reasons that BPA's interest in governance reforms of the CAISO's regional markets should be just as strong regardless of whether BPA chooses to join Markets+ or EDAM. But by making an unnecessarily early commitment to Markets+, BPA may inadvertently relieve pressure on the California legislature to enact SB 540. If one of the major sources of carbon-free energy in the West has already firmly committed to Markets+, the California legislature may have less incentive to adopt the governance reforms that will benefit BPA. This would be a negative outcome for the West and BPA's customers in general.

NIPPC acknowledges that this latest effort to bring reform to CAISO governance may still fail. For this reason, we believe that retaining the option to commit to Markets+ is valuable. At the same time, the success of the Pathways process to build broad consensus on the scope of – and need for – reforms of the governance of the regional markets operated by CAISO, while protecting state-specific policy prerogatives in all states with entities that join EDAM, substantially increase the likelihood that SB 540 will pass. Accordingly, NIPPC urges the Administrator to delay making a final decision on whether to join a Day-Ahead Market until the last quarter of 2025, after the regular session of the California legislature adjourns for the year. By the end of 2025, BPA will know whether the California legislature has acted on SB 540 and whether the Markets+ governance remains a significant advantage or not over a reformed EDAM governance mechanism.