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*Via Electronic Submission*

**Re: November 29, 2023, Day-Ahead Market Workshop**

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide comments regarding the Bonneville Power Administration’s (“BPA” or “Agency”) November 29, 2023, workshop concerning the ongoing consideration of day-ahead market participation. AWEC appreciates the large amount of work that BPA Staff has put into this process; however, there is a great deal yet to be done in order to build a lasting regional consensus around a pathway to day-ahead market participation among public power and stakeholders.

**Timeline and Process**

AWEC appreciates BPA’s discussion of its DAM Policy Direction Process and its DAM Decision Process. AWEC understands that BPA’s policy leaning would address both whether BPA intends to join a market and if so, which market BPA will focus its efforts on.

As an initial matter, AWEC requests additional clarity from BPA on the implications of any policy leaning and the specific actions that BPA may take as a result of this leaning. This includes how BPA is planning to ensure that its analysis remains up to date, how a leaning and/or decision may shift or change based on updated information and analysis, and the public process that BPA will undertake to ensure that parties have the ability to review and participate in BPA’s decision-making process. Understanding the actions that BPA anticipates taking, and whether they are final agency actions, as a result of its policy leaning will help to ensure that its decision is adequately supported.

Regarding the timeline for BPA’s policy leaning, AWEC does not oppose the current proposal but based on information known to date, is concerned that BPA could be heading toward a decision on a timeline that would not allow for adequate analysis to support a strong, prescriptive leaning. During the workshop process it has become clear that BPA is receiving conflicting feedback on the pace and schedule of the day-ahead market process, with some stakeholders encouraging BPA to maintain its scheduled pathway toward a policy decision and others asking BPA to slow down, feeling that any policy decisions are premature at this time. AWEC understands the difficulty of being simultaneously told to hurry up and slow down, and that a delay in its decision also comes with its own implications – particularly related to the further development of SPP’s Markets+ (“M+). However, there is also danger that decisions made prematurely could lead to sub-optimal outcomes that could be in place for years to come. AWEC is concerned that, given that the value proposition of either market is also dependent on its footprint and connectivity, the business cases for each market at this time seem fluid and thus precluding options may be premature. Again, a better understanding of the actions BPA anticipates taking as a result of its leaning may help to assuage these concerns.



AWEC also encourages BPA to limit the policy “leanings” to those that have been fully analyzed and that are defensible given the number of open, evolving, and unknown factors still in play. It may be best for the region for BPA to continue focusing efforts on both day-ahead market options, given the open issues with each market. For example, governance issues that have long stood as one of the most significant blockers to the expansion of the benefits of the CAISO based EDAM may be addressed through the West-Wide Governance Pathway Initiative. Likewise, stakeholders have identified a wide range of governance and operational issues that are not yet settled in the SPP M+ model. Again, at this early stage, an inadequately supported but strong leaning could distort or discourage the development of either market as a viable alternative, could galvanize opposition to the markets effort generally, and could create inertia that might be hard to change should a market that is less-favored at this early stage develop as a clearly superior option. To the extent BPA expresses a leaning toward either market, it should do so by expressing a leaning toward features of each market that it believes would be more advantageous to the region. Such a policy would provide leadership and an opportunity for both markets to steer toward the model that BPA and public power would find most beneficial. The thoughtful crosswalk slides presented at the November 29, 2023 workshop already provide an excellent basis for such a statement of policy.

## **Legal Framework**

AWEC appreciates BPA’s discussion of 5(b) obligations and DAM compatibility. However, while AWEC agrees that there is likely a path to day-ahead market participation within the four corners of the existing BPA statutes, that path is not entirely straightforward and significant questions remain. Because a range of parties have voiced questions about whether and how power deliveries through a day-ahead market will conform to the statutory preference rights of public power, BPA should address these issues in a more comprehensive manner as soon as possible. BPA’s references to continuing to sell electric power through the market do not sufficiently address these questions. Accordingly, AWEC requests that BPA provide a comprehensive response to PPC’s October 15, 2023, comments regarding BPA’s 5(b) obligations, including the tie between BPA’s generation and load and the value proposition for utilities, including in edge cases, prior to issuing a policy decision.

BPA has also noted that it may be desirable for utilities to provide contractual consent to have power deliveries optimized through a day-ahead market. It is unclear at this time whether BPA views this as a legal requirement, or a beneficial policy. AWEC requests that BPA clarify its legal position on this issue at the upcoming workshop. We believe that failing to address these questions prior to the release of a policy document will not be constructive and may erode regional support of its policy direction. Moreover, as a part of both the development of a day-ahead market direction and the ongoing Provider of Choice contracts, it is critical that BPA develop a well-thought-out framework for continued, reliable service to non-consenting utilities who may not wish to be served through a day-ahead market.



Finally, there is significant crossover between this effort and the development of the Provider of Choice contracts. AWEC appreciates that BPA's DAM and Provider of Choice teams are working closely together to address legal and process issues between the two workstreams.

### **Specific Issues**

AWEC notes that the following issues are critical to address as larger policy business case issues are being considered.

- The current framework does not include proposed participation in an RTO/System Operator. However, during the ongoing workshop process it has been implied at times that full realization of some of the proposed benefits of M+ may not be achieved without also becoming a participating transmission owner. To the extent that any benefits would be potentially contingent upon participation in the RTO, BPA should clearly identify these so that day-ahead market benefits and potential costs and benefits of RTO participation, which is not being contemplated, are not conflated.
- A clear understanding of the how Greenhouse Gas ("GHG") emissions accounting would flow through to all customers is critical, as is an understanding of the GHG emissions associated with each market option. Regarding the latter, in a bifurcated Western Interconnect, the carbon intensity of unspecified power drawn from the M+ footprint will very likely be much different than the EDAM system. Consideration of each market's effect on BPA's carbon profile is critical, as is understanding whether one market choice would mean participating in a significantly "dirtier" market than the other based on state and regional policies and resources. While the WMEG study addresses potential cost impacts of participating in markets with different sets of counterparties, clarity on the carbon impacts to such a choice is necessary, regardless of emissions accounting.
- We remain concerned that cost shifts, particularly deriving from a reallocation of transmission usage, may create winners and losers. AWEC requests further discussion and analysis showing whether public power generally, or specific public utility profiles or users of specific products specifically, are likely to experience significant cost shifts as the transmission market rebalances in the context of an organized market.

AWEC looks forward to continuing this discussion during the upcoming workshops, and will provide further comments as this investigation continues.

*/s/ Bill Gaines*

Executive Director

Alliance of Western Energy Consumers