



July 12, 2024

Sent via electronic mail

John Hairston
Administrator and Chief Executive Officer
Bonneville Power Administration

Dear Administrator Hairston:

While many count themselves among BPA's stakeholders, not all stakeholders are similarly situated. Over the last 75 years, BPA's power customers have invested heavily in the agency and the Federal power system to ensure that BPA can continue to provide reliable, low-cost, and environmentally friendly power to its statutory preference customers. This partnership is consistent with BPA's historical and statutory mission to create and deliver the best value for its customers and has withstood the test of time because of the customers' willingness to financially support BPA through ups and downs.

Together, we represent 33 of BPA's customers, with a total retail load of 3,388 aMW and hundreds of thousands of electric ratepayers across Oregon and Washington. Together, we purchase more than one third of BPA's Tier 1 power output and fund nearly the same share of BPA Power's revenue requirement. We expect you to be a good steward of our investment and give substantial weight to our input in making any decisions that will impact the Federal resources that serve our communities and our ratepayers' rates.

Earlier this year, you shared your staff's recommendation that BPA pursue participation in a day-ahead market, noting that your staff have identified SPP's Markets+ as "the preferable option" based on market design and governance features.¹ Your staff further explained:

Of the utmost importance to Bonneville in evaluating the available day-ahead market options is ensuring operational control of the Federal Columbia River Power System (FCRPS) remains with Bonneville, the U.S. Army Corps of Engineers, and the Bureau of Reclamation, and that the Pacific Northwest continues to receive the benefits of the FCRPS. From Bonneville staff's current

¹ Bonneville Power Administration, Day-Ahead Market Policy Paper: Cover Letter (April 4, 2024), available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/01-bpa-dam-policy-letter-administrator-signed.pdf>.

perspective, SPP's Markets+ is the preferred day-ahead market that could meet these objectives based on its governance structure and the market design features...²

We look forward to seeing additional analysis regarding the expected benefits of a day-ahead market for us and other BPA customers. But based on the information available about day-ahead market options, we agree with your staff's evaluation criteria and conclusion. Right now, Markets+ is the only day-ahead market option with acceptable governance and market design. We urge you to ignore efforts to impede BPA's participation in Markets+. We encourage you to lead the way by working closely with SPP to stand up the Markets+ Independent Panel and guide the agency towards a final participation decision.

A day-ahead market must have an independent governance structure that will produce equitable market outcomes and fair consideration of BPA's interests. Our utilities are governed and regulated by independent boards elected by and from the community served by the utility. Our board members are both ratepayers and regulators who are accountable only to the communities they serve. Preserving the benefits of this governance model is integral to our business.

Participating in an organized market requires us to cede some local control. By agreeing to join a day-ahead market, BPA will agree to a set of contractual rules that will control its participation in the market and impact BPA's load service to its customers. To be acceptable, the loss of local control must be counterbalanced by a robust, independent governance structure free from legal or political encumbrances and designed to fairly consider the needs of all market participants and fairly distribute the benefits and costs to all market participants. BPA's decision to participate in a day-ahead market will have significant and wide-ranging impacts to BPA's preference customers for decades. As markets continue to evolve, fair and inclusive governance and policy development processes will have significant long-term value that may not be readily quantifiable.

Markets+ is the only day-ahead market that offers a fair and independent governance structure. As BPA staff aptly noted, EDAM continues to operate under provisions of California law that could result in unbalanced outcomes for BPA and its customers. CAISO is governed by a board unilaterally appointed by the Governor of California with statutory obligations to minimize costs to California ratepayers. And CAISO's ongoing dual responsibility to operate the market while also participating in that market to serve California load has influenced EDAM market design and has put BPA, and its customers,

² Bonneville Power Administration, Day-Ahead Market Policy Paper, Attachment 1 at 8 (April 2024), available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/02-day-ahead-market-attachment-1-staff-recommendation.pdf>.

“at a competitive and governance disadvantage.”³ One recent example of California’s skewed influence placing Northwest ratepayers at a competitive disadvantage occurred during January’s week-long cold snap. The CAISO market design allocated \$123 million in congestion revenue solely to its portion of the shared path rather than sharing that revenue equally with BPA, a co-owner of the congested intertie.

Meaningful change in the CAISO governance will require legislative change and all prior efforts to legislatively change California law have failed. And while the West-Wide Governance Pathways may be another gallant effort to offer an alternative governance design, it has offered neither a clear legislative path nor any assurance that California law will change. Efforts to delay Bonneville’s participation in Markets+ on account of promises that the West-Wide Governance Pathways Initiative will be different are designed to undermine the viability of Markets+. And undermining Markets+ as a competitive option will further reduce the incentive for California to consider legislative governance changes.

In addition to having independent and impartial governance, a day-ahead market must be designed to preserve the value of the FCRPS for the benefit of our ratepayers, following years of investment. The following Markets+ design elements are key features of our support:

- Preservation of BPA’s ability to use Federal resources to meet its statutory load service obligations while participating in a day-ahead market.
- Fast-start and scarcity pricing to ensure accurate, fair compensation for BPA and all suppliers of flexible and reliable hydro generation.
- GHG accounting mechanisms to assure that BPA customers purchasing energy from the Federal system will receive environmental attributes of that power.
- Western Resource Adequacy Program participation requirement to assure that market participants bring sufficient resources to serve their loads.
- Congestion rent design that closely aligns with BPA’s transmission models and management of transmission constraints.

We appreciate your leadership in the development of Markets+. We encourage BPA to continue its due diligence on potential day-ahead market participation and to be transparent in sharing the specific benefits of BPA’s participation for customers. At the same time, we expect you to continue to be a staunch advocate for our interests and in making any final decisions for BPA, give due weight to the principles we have outlined here.

Thank you for your consideration and ongoing partnership.

³ *Id.* at 9.

Sincerely,

Oregon People's Utility Districts:

Central Lincoln PUD	Clatskanie PUD	Columbia River PUD
Emerald PUD	Northern Wasco County PUD	Tillamook PUD

Washington Public Utility Districts:

Asotin PUD	Benton PUD	Chelan PUD
Clallam PUD	Clark PUD	Cowlitz PUD
Douglas PUD	Ferry PUD	Franklin PUD
Grant PUD	Grays Harbor PUD	Jefferson PUD
Kitsap PUD	Kittitas PUD	Klickitat PUD
Lewis PUD	Mason 1 PUD	Mason 3 PUD
Okanogan PUD	Pacific PUD	Pend Oreille PUD
Skagit PUD	Skamania PUD	Stevens PUD
Thurston PUD	Wahkiakum PUD	Whatcom PUD

cc: Governor Tina Kotek, Oregon
Governor Jay Inslee, Washington
Joel Cook, Chief Operating Officer, BPA
Suzanne Cooper, Senior Vice President, Power Services, BPA