

United States Senate

WASHINGTON, DC 20510

July 25, 2024

The Honorable John Hairston
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Dear Administrator Hairston,

We have heard concerns from across the Pacific Northwest regarding the Bonneville Power Administration's (BPA) anticipated decision to join one of two electricity markets: the California Independent System Operator (CAISO)'s Extended Day-Ahead Market (EDAM) or the Southwest Power Pool (SPP)'s Markets+ day-ahead market. BPA's participation in either market will have major impacts across the West for decades to come. We urge you to act carefully and deliberately.

A reliable, resilient, and clean electrical grid is essential to meeting the economic and environmental goals of the Pacific Northwest. Electrifying our transportation system, buildings, and meeting the demands of our growing manufacturing and data center industries will require access to additional power resources. In tandem, we must ensure that Northwestern residents and businesses continue to receive reliable, clean energy that will keep their lights on and their homes comfortable in the face of increasingly frequent extreme weather events.

In light of these major challenges, we share your view that "Bonneville's customers and electricity consumers across the Pacific Northwest may achieve more benefits from participants coalescing around one regional market in the West."¹ Further, we strongly believe that competition between the two day-ahead markets has improved both offerings, to the benefit of BPA and the region's ratepayers. Nonetheless, there are still a number of uncertainties associated with both EDAM and Markets+.

The CAISO EDAM was only approved by the Federal Energy Regulatory Commission (FERC) in December 2023, and there are still outstanding market governance concerns. We want to recognize the critical role that BPA has played to move governance reforms forward. The firm position taken by BPA that governance reforms were necessary helped inspire the West-Wide Governance Pathways Initiative last year. We see this effort has made real progress, culminating with NV Energy's recent announcement that it intends to join EDAM. Signing of the market implementation agreements will trigger Step 1 of the governance changes proposed in the Pathways Initiative.

Meanwhile, the SPP Markets+ tariff was filed at FERC in April and is still under review. FERC has a new slate of commissioners, and it remains unclear whether the tariff, as submitted, will be

¹ <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/01-bpa-dam-policy-letter-administrator-signed.pdf>

approved or found deficient. Indeed, deficiency letters for novel filings are common and require additional time and effort to resolve. Further, the creation of market seams between Markets+ and EDAM—unique given the underlying transmission framework at play with separate balancing authorities and tariffs—may prove challenging to resolve, leaving ratepayers unable to realize economic and reliability benefits.

Given ongoing uncertainties and the changing landscape with regard to both day-ahead electricity markets, we are concerned that BPA has expressed a preference for one market before complete and final information is available for clear decision making. To help us understand BPA's current leaning, please provide answers on a question-by-question basis by August 25, 2024.

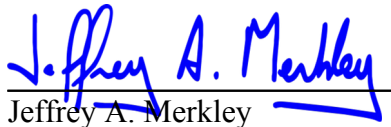
1. Which of the day-ahead markets does BPA expect will result in lower energy costs for the Northwest—including both federal and non-federal power? Please explain your analysis and provide any evidence used to come to your conclusion.
2. Which of the day-ahead markets does BPA expect will provide the greatest improvement in grid reliability in the Northwest? What are the anticipated seasonal differences between the two? Please explain your analysis and provide any evidence used to come to your conclusion.
3. Which day-ahead market scenario—including a single West-wide market—does BPA expect will provide the greatest reduction of greenhouse gas emissions? Please explain your analysis and provide any evidence used to come to your conclusion.
4. What circumstances particular to BPA compel it to make a choice between these two day-ahead markets now, while there are remaining uncertainties associated with both options?
5. As competition has improved both day-ahead market offerings, why should BPA not wait until one—or both—options have demonstrated stronger viability?
6. Should California adopt Steps 1 and 2 of the governance changes proposed in the Pathways Initiative, does BPA believe they can sufficiently address EDAM's governance issues? If not, what specific concerns remain outstanding?
7. What are the benefits and risks associated with each market option during extreme weather events? How would joining one market impact the availability of energy resources from the other?
8. What are the benefits and costs for BPA and its customers if BPA departs the Western Energy Imbalance Market, including stranded costs from leaving the market, to join Markets+? What external and internal analyses are BPA relying on?
9. In evaluating Markets+ and EDAM, has BPA identified particular advantages or disadvantages in market design for hydropower-intensive utilities? If so, please elaborate.
10. Has BPA identified any key transmission connections or corridors that materially affect the economics of a given market footprint and therefore should weigh more heavily on BPA's decision? If so, please elaborate, including specific transmission assets.
11. Is there quantitative analysis comparing the system costs and efficiencies for BPA customers—both power and transmission—that arise if Northwestern utilities and customers acquire electricity through multiple day-ahead markets when compared to a single day-ahead market?

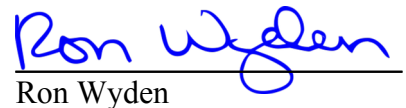
12. If the region's electrical transmission is split by market seams, what best practices has BPA identified for managing these seams? How would BPA plan to incorporate such practices into a two-market west-wide power transmission landscape?
13. Can BPA ensure that the treatment of hydropower in both day-ahead markets is consistent with BPA's obligations under federal law?
14. In March the Oregon Department of Energy, the Oregon Public Utility Commission and the Oregon Department of Environmental Quality submitted a list of requests to BPA in order to help inform the process. The Washington Department of Commerce and Washington Utilities and Transportation Commission have similarly submitted joint comments and questions several times to BPA in the same vein. On July 3rd, these state agencies in both states (along with the Washington Department of Ecology), jointly submitted detailed questions, requests, and comments to BPA. How have you responded to these questions and requests? Please share those responses with us.


A reliable, affordable and sustainable energy system is necessary for the economic and environmental welfare of the Pacific Northwest. The decisions BPA makes now will have lasting consequences on the modernization and expansion of the electrical grid and energy generation resources across the West. Further, they will significantly impact the region's ability to adapt to extreme weather events and climatic uncertainty in the future. BPA's decision to join a day-ahead market is monumental—BPA must be able to demonstrate that it is in the best interests of communities across the Northwest that are reliant on BPA for both power and transmission services.

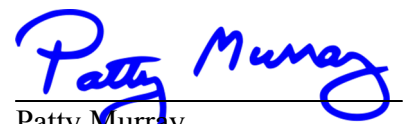
Given the critical importance of this decision for the region, we want to be crystal clear: this letter should not be construed as favoring one market over the other. We share a strong belief that any decision of this magnitude warrants thorough evaluation of all options, including joining neither market at this time. BPA should refrain from making any draft or final decisions until there is less uncertainty and BPA can prove that any decision will provide the greatest benefit to the entire Northwest. Thank you for your consideration and prompt attention to these questions.

Sincerely,


Jeffrey A. Merkley
United States Senator


Ron Wyden
United States Senator


Maria Cantwell
United States Senator


Patty Murray
United States Senator