

Pacific Gas & Electric Comments – BPA Day-Ahead Market Participation Workshop 5-8-24

Summary

PG&E appreciates the opportunity to provide comments in consideration of BPA's decision-making on Day-Ahead (DA) market participation. BPA's importance to and impact on the western grid is an essential consideration for western stakeholders. It is encouraging to see BPA considering comments from such a diverse stakeholder group. PG&E thus offers its thoughts on the following key issues that it believes BPA should consider more carefully.

- Governance – PG&E urges BPA to consider the advancements achieved through the WWGPI and the recent approval of the proposal on 5-31-24, which seeks to confer primary authority over the Extended Day-Ahead Market (EDAM) to an independent entity, promoting fairness among all market participants.
- Optimization Opportunities – PG&E encourages BPA to assess the potential market optimization benefits that would arise from accessing a broad regional footprint under EDAM, especially considering the existing declarations of support.
- Seams – PG&E urges BPA that the solution to the misallocation of congestion rents at the California-Oregon Border (COB) seam, highlighted at the recent Pacific Northwest Utilities Conference Committee meeting on March 8th, is to consider an approach that would eliminate the need for CAISO's scheduling limits.

Governance

PG&E urges BPA to consider the advancements achieved through the WWGPI and the recent approval of the proposal on 5-31-24, which seeks to confer *primary authority* over the Extended Day-Ahead Market (EDAM) to an independent entity, promoting fairness among all market participants. BPA should not give up on EDAM because the governance is not where it wants it to be yet. Progress is going to continue to be made and this is an opportunity for BPA to engage in that change to ensure that its needs are met along with others.

Optimization Opportunities

PG&E encourages BPA to assess the potential market optimization benefits that would arise from accessing a broad regional footprint under EDAM, especially considering the existing declarations of support. BPA has already experienced significant gains, totaling \$80 million in benefits, from its participation in the Western Energy Imbalance Market (WEIM) within just two years of joining.¹ Furthermore, the E3 DA market benefits study indicates that BPA would benefit from EDAM, particularly under the EDAM Bookend scenario, which closely aligns with the entities that have already committed to joining EDAM.²

Seams

PG&E urges BPA that the solution to the misallocation of congestion rents at the COB seam, highlighted at the recent Pacific Northwest Utilities Conference Committee meeting on March 8th, is to consider an

¹ <https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>

² <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/e3-wmeg-benefits-study.pdf>

approach that would eliminate the need for CAISO's scheduling limits. Three different presenters noted the significant problems that the Pacific Northwest (PNW) has had in managing the intertie at COB. Energy GPS showed in their presentation that California captured \$141.3 million in congestion rents from just two peaking events in the past year, while only \$8.8 million in congestion going to transmission between Malin and Mid-Columbia, representing a 94% to 6% disparity. This distribution occurred despite the bulk of the physical congestion happening north of the California border.

The current challenge with the seam at COB exists in CAISO's approach to managing congestion, particularly in its modeling of constraints and pricing mechanisms. As CAISO's system only extends as far north as Malin, congestion is predominantly captured and managed from that point. This results in a disproportionate allocation of congestion rents to CAISO.

Considering BPA's potential participation in EDAM, there arises an opportunity to address this challenge more effectively. In EDAM there is no need for scheduling points or scheduling point limits between EDAM members. If BPA were an EDAM member, any transmission limitation north of Malin would be modeled as being north of Malin. Under EDAM, the entity where the congestion occurs retains 100% of the associated rents. Therefore, if congestion were to occur within BPA's service territory, it could translate into significant financial benefits for BPA's customers.

Conversely, opting for Markets+ may perpetuate the challenges at COB, as each side of the border would maintain a congestion management approach similar to current methods. As such, the seam at COB is unlikely to be addressed within the Markets+ framework.

EDAM emerges as a potential solution for precise congestion management, offering potential benefits for BPA's customers and the resolution of longstanding seams issue.