

August 30, 2024

Submitted via email

John Hairston
Administrator
Bonneville Power Administration

RE: Ensuring that BPA has an Independent Governance Day Ahead Market Option

Dear Administrator Hairston:

This letter is submitted on behalf of the Western Public Agencies Group (“WPAG”). WPAG includes 25 utilities¹ located in Oregon and Washington both east and west of the Cascades. Our membership ranges from some of the Bonneville Power Administration’s (“BPA”) smallest load following customers to some of its largest and most sophisticated Slice/Block customers. Some WPAG utilities are BPA full requirements customers, while others own their own resources that they either use to serve their loads or sell to third parties. The WPAG utilities collectively make up over 30 percent of BPA’s Tier 1 load.

For over a year, WPAG has been an active participant in BPA’s day ahead market process including by submitting extensive comments following nearly every BPA day ahead market workshop.² As demonstrated by our prior comments, we believe that BPA must objectively demonstrate a strong legal and business case before (1) deciding whether to join a day ahead market; and (2) if BPA determines to join a market, deciding which day ahead market (i.e., EDAM or Markets+) to join. Such demonstrations will require a complex evaluation of many different factors, including BPA’s legal authority to join a day-ahead market, governance, market design, and market footprint. Each of these factors must be fully evaluated before a decision can be made and we support BPA’s recent announcement that it is extending its day-ahead market public process into 2025 to ensure that it has sufficient time to complete its ongoing comprehensive analysis of its market options.

To assist WPAG in evaluating BPA's day-ahead market proposals and decisions, WPAG collaborated with other public power entities to develop the attached NW Public Power Organized Market Design Principles (“Joint Principles”). Among other things, the Joint Principles emphasize that independent governance is a requirement for any organized market offering. Additionally, they

¹ The utilities comprising WPAG include Benton Rural Electric Association, Eugene Water and Electric Board, Umatilla Electric Cooperative, the Cities of Port Angeles, Ellensburg and Milton, Washington, the Towns of Eatonville and Steilacoom, Washington, Elmhurst Mutual Power and Light Company, Lakeview Light & Power, Ohop Mutual Light Company, Parkland Light and Water Company, Peninsula Light Company, Central Lincoln People’s Utility District, Public Utility Districts No. 1 of Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kittitas, Lewis, Mason and Skamania Counties, Washington, Public Utility District No. 3 of Mason County, Washington and Public Utility District No. 2 of Pacific County, Washington.

² All of WPAG’s prior comments in BPA’s day ahead market process are posted on BPA’s website at [Day-Ahead Market - Bonneville Power Administration \(bpa.gov\)](https://www.bpa.gov/Day-Ahead-Market-Bonneville-Power-Administration).

outline the specific factors WPAG needs to see before determining whether a market offering meets the independent governance requirement. These key factors include:

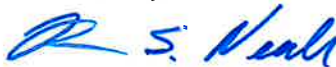
- A governance structure that drives unbiased decision-making and balanced outcomes.
- A governance structure with a clearly defined process for the selection of the decision-making body³ that results in a composition of that body that is reflective of representative regions and participants.
- A decision-making body, and individual members making up the decision-making body, can act without undue influence and do not have direct ties or interest in any market participant, the market operator, or single state or provincial government.

Accordingly, when BPA issues its draft decision on day-ahead participation in March 2025, we will be weighing the governance framework of the market option selected by BPA, if any, to ensure that it meets the above independent governance principles. For BPA to participate in any day-ahead market, it is essential that the market governance be independent and free from obligations to, or disproportionate influence by, any single state or entity. While market design and footprint are critical in shaping the benefits of a market, it is governance that ultimately determines how such benefits are allocated, how reliability issues are addressed, and whether all market participants are treated fairly.

Given the current landscape, Markets+ is the only option that unequivocally meets the above governance criteria, EDAM currently does not. For these reasons, WPAG strongly supports the commitment made by BPA in its August 26th TechForum announcement that it will “continue to fund and commit staff resources to the Markets+ design effort in collaboration with SPP and Markets+ participants.” Such action by BPA is critical to ensure that Markets+ has a path forward so that it remains a viable option for when BPA makes its final day ahead market decision next year.

We look forward to the continuation of BPA’s day ahead market process and will remain an active participant therein. Please do not hesitate to contact me if you have any questions.

Sincerely,



Ryan S. Neale

³ The reference to the decision-making body is intended to refer to the highest-level of decision-making authority within the governance structure.

Attachment

NW Public Power Organized Market Design Principles



NW Public Power Organized Market Design Principles¹

May 2023

The NW Publicly Owned Utilities (NW Public Power²) recognize that centralized markets have been evolving as part of the Western power landscape. NW Public Power's mission is to provide reliable and least-cost service to the customers and communities we serve while meeting our evolving regulatory obligations. A successful organized market would be one that can help our utilities navigate the challenges of the changing operating environment while continuing to meet these bedrock obligations. The major elements of a centralized market, including its governance structure and market design, can be critical to achieving this threshold requirement.

Respects Existing Laws, Statutory Obligations, Regulations, and Local Regulatory Authorities

- Organized markets with different types of participants (e.g. IOUs, COUs, PMAs, etc.) must respect existing federal and state laws, statutory obligations, regulation, and local regulatory authorities and directives
- Market design respects Federal laws by which public bodies and cooperatives are entitled to preference and priority in the sale of Federally generated electric power.
- Resource Adequacy and Resource Sufficiency requirements do not supplant local regulatory authority for resource procurement.

Independent Governance Informed by an Open, Transparent and Representative Stakeholder Process

- The governance structure drives unbiased decision-making and balanced outcomes.
- There is a clearly defined process for the selection of the decision-making body³ that results in a composition of that body that is reflective of representative regions and participants.

¹ This paper is not intended to offer support or opposition for any specific new or expanded market proposals but provides NW Public Power's perspective on principles and elements that would ideally inform any centralized market offering for the Northwest. These principles are intended to provide the foundation for our ideal market design and governance, however, we recognize the development of any organized market will require trade-offs for all stakeholders and the end state proposal may not align with all of our principles. Our support for any particular market proposal will consider the full package of market design, governance and risks.

² Public Generating Pool (PGP), Northwest Requirements Utilities (NRU), PNGC Power and Western Public Agencies Group (WPAG).

³ The reference to the decision-making body is intended to refer to the highest-level of decision-making authority within the governance structure.

- Decision-making body, and individual members making up the decision-making body, can act without undue influence and do not have direct ties or interest in any market participant, the market operator, or single state or provincial government.
- Market participants,⁴ state representatives, power marketing agencies, and public power from all regions impacted by the market shall have organized forums to discuss issues, develop proposals, and make recommendations to the Board on these issues.
- Decision-making and stakeholder engagement occurs in a transparent and inclusive manner.
- A market monitor and/or independent market expert provides independent and routine review and reporting, evaluating the market design and function relative to fair and competitive market principles.

Resource Adequacy⁵ and Resource Sufficiency⁶ Requirements Promote Reliability, Ensure Equity and are Applied Consistently

- Market design includes resource sufficiency and/or resource adequacy frameworks that aim to ensure reliability and minimize the potential for a market participant to access market benefits without first adequately and independently demonstrating resource adequacy and/or resource sufficiency.
- Processes assure that participants offering resources to the market satisfy their obligations and ensure deliverability to the market.
- Market rules and participation frameworks accommodate participation and management of fuel-limited resources to maximize system benefits.
- Market rules and accreditation contemplate unique characteristics of different resource types such as flexible hydroelectric resources.
- Enforcement measures for non-compliance do not allow for Resource Adequacy or Resource Sufficiency compliance to be a discretionary economic alternative.
- Requirements and counting rules are applied equitably and consistently to all entities subject to tests.
- Mechanisms are in place to signal when the resource adequacy or resource sufficiency framework is not functioning properly.

Transmission Framework Honors Open Access Principles and Minimizes Cost Shifts

- Transmission framework recognizes the transition impacts from existing transmission frameworks (e.g., OATT framework) and minimizes or mitigates cost shifts to load and any adverse impacts to existing transmission rights.
- Transmission rights holders are ensured congestion/financial rights to mitigate congestion costs.
- Transmission planning and cost allocation processes fairly allocate transmission costs and recovery.

⁴ The term Market Participant is intended to be construed broadly to include entities with either load or generation in the market, including load-serving entities.

⁵ The term Resource Adequacy in this context references the capacity to reliably meet demand in a certain confidence interval over a given time horizon, usually longer term.

⁶ The term Resource Sufficiency in this context references a showing of resources with the appropriate resource characteristics that are available to meet demand on a shorter time horizon-usually day-ahead and real-time.

- Market design facilitates and informs interregional transmission planning.

Market Power Mitigation⁷ is Appropriately Applied and Recognizes the Unique Situation of Hydropower Systems

- Market power mitigation should result in energy prices that approximate prices that would occur in a competitive market.
- Market Power Mitigation should only be applied where the opportunity to exercise market power exists and should be effective at mitigating the exercise of market power.
- Mitigation methods accept and provide for the complex and dynamic nature of hydropower systems, operational constraints, and opportunity costs.

Transparent Price Formation Results in Fair Compensation for Services

- Market rules send proper price signals to accurately signal shortages and scarcity.
- Market rules send price signals that incentivize all resources to follow dispatch instructions.
- Market rules ensure compensation for the attributes and/or products required to meet reliability.
- Ancillary service and flexibility products value and recognize the scheduling flexibility that resources such as hydro and storage provide.

Accounting of GHG Emissions & Value of Non-Emitting Generation

- Dispatch and price formation incorporate the cost of greenhouse gas emissions consistent with state policies and pricing programs without inappropriately impacting market participants in states without greenhouse gas pricing policies.
- Accounting, data, and reporting methods are compatible with and support compliance with greenhouse gas and clean energy legislation of all states that impact market participants.
- Methodology supports the linkage of cap-and-trade programs.

⁷ Market Power Mitigation are measures taken to mitigate the market effects of any conduct that would potentially distort competitive market outcomes. Mitigation rules employed by RTOs and ISOs are designed to ensure that resources are able to bid their marginal costs, but are not able to exercise market power. Market power is the ability for a Market Participant to increase/decrease the market clearing price above/below competitive price levels for their advantage. Mitigation measures vary amongst different RTOs/ISOs but generally involves replacing a resource's offer price into the market with a defined reference level price.