

The Honorable John Hairston
Administrator
Bonneville Power Administration
P.O. Box 3261
Portland, OR 97208-3621

Dear Administrator Hairston,

The undersigned entities request that the Bonneville Power Administration (BPA) choose to remain in the Western Energy Imbalance Market (WEIM) for the foreseeable future and not commit to join a day-ahead market (DAM) at this time.

We would like to acknowledge the tremendous leadership that the BPA has demonstrated in its advocacy for independent market governance in the West. BPA's participation in Southwest Power Pool's (SPP) Markets+ development has resulted in a stakeholder driven market that recently received an order of approval from the Federal Energy Regulatory Commission. BPA has also been essential in efforts to reform governance of the California Independent System Operator's (CAISO) market services and deserves significant recognition. This focus has directly contributed to the momentum of the West-wide Governance Pathways Initiative (Pathways Initiative) and the recent introduction of SB 540 in California to enable independent governance over regional energy markets.

BPA's upcoming draft Policy Letter to the Region on its DAM decision presents *a critical opportunity for BPA to acknowledge the results of its leadership on governance reform, the desire for additional progress, and the need for additional information to provide the strongest business case for a decision to join a DAM that delivers the greatest economic and reliability benefits to BPA customers.*

BPA has the choice between 1) SPP's Markets+: a market with independent governance and a solid market design but a smaller, disconnected footprint that will create a new seam and great efficiency challenges for itself and the region, 2) CAISO's Extended Day Ahead Market (EDAM): a market within CAISO governance but with a larger footprint and momentum and progress towards independent governance, and 3) maintaining the status quo with ongoing participation in the WEIM.

BPA's ongoing technical analysis demonstrates that staying within WEIM or joining EDAM offers the most clear and demonstrable benefits to its customers in the Northwest for both power and transmission service. These studies indicate that BPA's current DAM leaning would increase costs to customers at a time when the region is already experiencing significant rate increases.

- *Maintaining participation in WEIM provides greater benefits than Markets+ participation.* To date, BPA has incurred \$98.11 million in benefits through its participation in the WEIM since joining in 2022. BPA's own analysis through E3 shows *triple the benefits* for BPA when choosing to remain in the WEIM compared to participation in Markets+ (\$109 million v. \$30 million).
 - In their most recent letter on December 23, 2024, the State Agencies from Oregon and Washington found that “[i]f more Pacific Northwest utilities end up joining EDAM, BPA would still likely see a substantial savings by staying in the EIM given that the Full-EDAM footprint with BPA in EIM-only also shows savings over joining Markets+” (page 8).

BPA's E3 analysis consistently demonstrates that BPA experiences better economic outcomes in scenarios where the market footprint is large and seams are minimized, or where seams are assumed to be less costly. In its January 30th workshop, BPA acknowledged that improving seams coordination is a complex challenge that would require substantial time and effort to resolve, if it is even possible.

- The time, effort, and end result of a new market-to-market seam will almost assuredly *result in decreased reliability and economic harm* to customers, economic harm to resource developers and operators, degradation to transmission usage and efficiency, and limit the value markets bring through robust and contiguous participation.

BPA's current timeline does not account for ongoing governance changes in the CAISO markets. SB 540 was introduced on February 20 by Senators Becker and Stern. We will continue to see momentum in California as the bill moves through the legislature. Success of this legislation will enable the transfer of governance of western energy markets to a fully independent Regional Organization. The Regional Organization will have a “durable, effective, and independent governance structure [that] provides fair representation to all market participants and stakeholders” as per BPA's DAM evaluation criteria.

We recognize BPA's commitment to preserving optionality for a DAM decision and that BPA has executed its Markets+ Phase II funding agreement. Given the ongoing progress toward a viable independent option for EDAM, need for additional information, and the pressure from recent staffing challenges at the agency, we ask that BPA choose to remain in the WEIM for the foreseeable future and not commit to join a day ahead market at this time. This would allow BPA to explore mechanisms to better monetize its participation in WEIM, while continuing to lead on governance reform as it considers future DAM opportunities. Additionally, it would delay the creation of an unavoidable, not easily managed or reversible, seam and maintain the coordination in the West that is critical to keep the lights on and costs down. It is imperative that BPA's decision serves the long-term reliability and affordability of ratepayers across the Northwest.



Seattle City Light

