



January 10, 2025

Bonneville Power Administration

905 NE 11th Ave.

Portland, OR 97232

Sent via electronic mail to techforum@bpa.gov

Re: Response to the December 23, 2024, State Agency Comments

Dear Members of BPA's Public Engagement Team for DAM Participation:

In a letter dated December 23, 2024, the Oregon Public Utility Commission, Oregon Department of Energy, Oregon Department of Environmental Quality, Washington Utilities and Transportation Commission, Washington State Department of Ecology, and Washington Energy Office at the Washington State Department of Commerce (State Agencies) provided comment on the Bonneville Power Administration's (BPA) day-ahead market (DAM) evaluation.¹ We, the Washington Public Utility Districts Association, the Oregon Municipal Electric Utilities Association, the Washington Rural Electric Cooperative Association, and the Oregon People's Utility Districts Association, agree with the State Agencies that BPA's DAM decision is a:

“... consequential choice for the economies and residents of our states. BPA's decision should not be taken lightly and a thorough review of the economic impacts... [We] encourage BPA to critically consider the effects to all ratepayers in the Pacific Northwest of its decision whether and when to join Markets+ or EDAM, recognizing the long-term importance of this decision on reliability, costs, and market governance, as well as on meeting our states' statutory climate and energy goals.”

The State Agencies go on to assert:

“BPA has statutory obligations to make businesslike decisions that benefit BPA and the Pacific Northwest region as a whole.”

While BPA has undoubtedly been a significant agent of economic growth for the Northwest region and will continue to be so, we believe that BPA must parse the phrase “...and the Pacific Northwest region as a whole” from this sentence. Indeed, BPA's own assessments of federal statutes make clear that BPA's first responsibility is to preference customers:

“Section 5(a) of the Northwest Power Act reaffirms the preference and priority provisions from Bonneville Project Act by stating, ‘[a]ll power sales under this chapter shall be subject at all times to the preference and priority provisions of the Bonneville Project Act of 1937’... The [US Congress]

¹ The California Independent System Operator's (CAISO) [Enhanced Day-Ahead Market \(EDAM\)](#) and the Southwest Power Pool's (SPP) [Markets+](#) day-ahead electricity trading market mechanisms.

House Report of the Commerce Committee on the Northwest Power Act emphasized that sales by the Administrator would be subject to existing preference provisions:

The purpose of this provision is clear. The Committee wants to insure that all preference customer contract requirements will continue to have a priority over sale to other customers and other sales would be, in effect, subordinate to preference provisions of the Bonneville Project Act...”²

The State Agencies note that their analysis “found significant differences in economic outcomes for the Pacific Northwest depending on BPA’s decision to join a regional day-ahead market modeled under normal market conditions” (emphasis added). We agree certain comparisons within the E3’s production cost model (PCM) favors EDAM over Markets+ by \$65-\$221 million per year. However, the principal drivers of this result were: unrealistic expectation of a west-wide EDAM footprint, EDAM having higher prices; BPA selling surplus power at these higher prices; and Transactional friction (hurdle rates) across market seems. We have previously questioned the long-term durability and accuracy of these assumptions and pointed out unaccounted for cost drivers that a PCM type analysis misses.³ BPA’s staff have recognized that the E3 analysis fails to reflect market pricing during stress events (non-normal market conditions), as well as the impacts of fast-start pricing, scarcity pricing, bid caps, market power mitigation, out-of-market actions and the treatment of greenhouse gas emissions.⁴

The State Agencies ask BPA to:

“...explain how the weight given independent governance – a factor that BPA appears to weigh as a complete offset to customer benefits – would cost out differently assuming the implementation of Pathways Step Two.”

An attempt to respond to this request would be speculative at best. Governance drives market policies and procedures and we see no way for BPA to foretell what changes in policies or procedures would occur under a Pathways Step Two governance structure. For example, would that structure eliminate EDAM’s out-of-market side payments to cover generating plant fast start costs? Going forward we fully supports BPA’s threshold position that governance of a DAM mechanism must be durable, effective, and independent; and must provide fair representation to all market participants and stakeholders principles. Further, we concur with BPA’s assessment that Pathways Step Two

² See BPA’s Day-Ahead Market Policy Paper, Attachment 2 Preliminary Legal Assessment of Day-Ahead Market Participation April 2024, page 5: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/03-dam-march-policy-paper-attachment-2-preliminary-legal-assessment.pdf>

³ See WPUA letter dated December 4, 2024.

³ See BPA’s November 4, 2024, DAM workshop presentation, slides 30-33: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/dam-workshop-9-presentation-110424.pdf>

would not sufficiently unwind EDAM’s interdependence with CAISO and fails to achieve independent market operations, contracts, or tariffs.⁵

In conclusion, we reiterate our appreciation for BPA’s transparent assessment of the potential quantitative and qualitative benefits of participating in either the EDAM or Markets+ mechanism (or neither). We appreciate that BPA listened to public comments and delayed its decision process to allow for additional meetings, analysis, and evaluation. Finally, we support BPA’s timeline going forward to hold additional public workshops in January, issue a draft decision in March, and finalize that decision in May.

In making that final decision, we ask that BPA balance the principles of cost, reliability, governance, and environmental accountability while preferentially supporting the interests of preference power customers as directed by federal statute.

Thank you for your consideration and ongoing partnership.

Sincerely,

Liz Anderson, Executive Director
Washington Public Utility Districts Association
Washington Rural Electric Cooperative
Association

Jennifer Joly, Director
Oregon Municipal Electric Utilities Association
Roger M. Kline
Oregon People’s Utility District Association

cc: John Hairston, BPA Administrator & CEO
Senator Sharon Shewmake
Senator Matt Boenke
Representative Beth Doglio
Representative Mary Dye
Representative John Lively
Representative Mark Gamba
Representative Bobby Levy
Senator Janeen Sollman
Senator David Brock Smith

Commissioner Milt Doumit
Commissioner Ann Rendahl
Commissioner Megan Decker
Director Janine Benner
Colin McConnaha
Derek Nixon
Joel Creswell
Senator Joe Nguyen
Glenn Blackmon

⁵ See BPA’s November 4, 2024, DAM workshop presentation, slides 19, 22: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/dam-workshop-9-presentation-110424.pdf>