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TACOMA PUBLIC UTILITIES

February 26, 2025

Bonneville Power Administration
905 NE 11th Ave
Portland, OR 97232

Via email: TECHFORUM@BPA.GOV

Re: Comments from Tacoma Power (“Tacoma”) to Bonneville Power Administration on the January 29-30, 2025 Workshop 10, BPA’s Public Engagement for Establishing a Policy Direction on Potential Day Ahead Market Participation (“Workshop 10”)

Tacoma appreciates the level of detail and thoughtfulness BPA has put into all its workshops, including Workshop 10, as part of BPA’s ongoing transparent and deliberate process towards making a day-ahead market decision. Tacoma has been a power and transmission customer of BPA for decades and looks forward to a durable continuation of that partnership enhanced by day-ahead market participation. We appreciate and support the way BPA is evaluating the developing market opportunities in the West.

Without repeating our comments submitted after Workshop 9,¹ we reiterate that Tacoma continues to appreciate the following characteristics of BPA’s process:

- BPA’s process has been thorough and transparent.
- By providing an additional day-ahead market option, Markets+ has improved all market options in the Western United States.
- BPA has appropriately prioritized market governance.
- BPA has thoroughly and transparently evaluated potential production cost results.
- BPA is appropriately balancing production cost results as one of many evaluation criteria.
- BPA’s day-ahead market evaluation process focuses on BPA’s customers.

¹ In those comments we provided additional detail on each of the listed issues.

In addition to reiterating those points from our comments on Workshop 9, we submit brief comments specific to the issues presented during Workshop 10.

The Additional Modeling of BPA Hydro Operational Limitations Scenario Inputs Provides a Valuable Supplemental Data Point

Tacoma does not agree with some of the sentiments expressed during Workshop 10 that called into question this additional scenario modeling. Some questioned the likelihood of a scenario involving reduced BPA hydro generation where non-BPA hydro units in the region maintain normal hydro conditions. But BPA's recognition of this potential scenario demonstrates its experience and understanding that multiple factors outside of energy production can impact hydro operations, particularly considering some of BPA's unique obligations that others in the region don't always share.

Additionally, recent commitments by utilities to day-ahead markets lends support to BPA's focus on modeling the Alt Split 4A and Alt Split 2NV. This supplemental modeling demonstrates positive outcomes for BPA in Alt Split 4A, a footprint that closely aligns with current commitments to EDAM and Markets+. While Tacoma continues to agree with BPA that production cost modeling should be one of many evaluation criteria, we commend BPA for improving and supplementing its modeling with this particular scenario.

BPA's Assessment of Transmission Revenue Impacts Provides Useful Analysis

Tacoma appreciates BPA's efforts to evaluate the impacts of participation in a day-ahead market on transmission revenue. This demonstrates BPA's recognition that those revenues will impact other market participants. We recognize that these revenue impacts cannot be predicted with accuracy because market participant actions also cannot be predicted. We value BPA's efforts, now, to identify potential mechanisms to mitigate any transmission revenue impacts that may occur as day-ahead markets become operational.

BPA Has Performed Appropriate Due Diligence to Evaluate Implementation and Participation Fees

Most fees related to day-ahead market participation are contingent on operational and transactional issues. BPA has provided transparent data indicating costs that are known like Markets+ Phase 2 costs, and costs that can be projected only with some assumptions. Tacoma appreciates BPA's efforts to evaluate this issue in a way that demonstrates likely higher implementation costs for Markets+ with likely higher ongoing participation costs for EDAM.

BPA is Carefully Considering the Potential Reliability and Operational Impacts of Existing and Future Market Seams

BPA's seams presentation from Workshop 10 appropriately recognizes the existing and complicated seams within the Western Interconnection and the impacts to those seams that are likely to occur when two day-ahead markets are operational in the region. Those impacts are caused by all entities making decisions about day-ahead markets and should not be attributed to any single participant or market. Tacoma appreciates BPA's recognition that many of those challenges cannot yet be negotiated. We recognize BPA's commitment to work collaboratively with all relevant stakeholders as the footprints of the two Western day-ahead markets continue to solidify and as participants in both markets prepare for go-live dates. Tacoma similarly intends to actively collaborate in those discussions.

Conclusion

Tacoma appreciates and supports the transparent and deliberate way BPA is approaching its day-ahead market decision with a recognition of the impacts BPA's decision will have on its customers and on the region generally. In Workshop 10 BPA presented a useful analysis of discrete issues to supplement the extensive analyses BPA has previously conducted and published. BPA's continued evaluation of all relevant balancing interests will create the best potential foundation to enable a final decision under BPA's planned schedule: a schedule that is conducive to day-ahead market development in general and to the decisions BPA's customers and neighbors are facing.

Specifically, Tacoma supports BPA's plan to publish a Draft Policy Letter on March 6 because that schedule recognizes the impact of BPA's decision on choices faced by others in the region: choices about both day-ahead market options and BPA Provider of Choice contracts. Any further delay would increase both uncertainty and risk without providing value toward the decisions facing BPA, its customers, and other neighboring entities. BPA's day-ahead market decision process has spanned nearly two years, has been conducted in public, and has analyzed all issues raised by stakeholders.

Additionally, while independent governance was not a focus of Workshop 10, Tacoma continues to support and share BPA's approach to that issue. A market design, feature, or projected benefit is not durable in the absence of independent market governance. The need for durability drives Tacoma's position that independent governance is a mandatory threshold requirement for a day-ahead market. Markets+ has been built from the ground up with a fully independent governance structure, while EDAM will operate under organizational and statutory mandates specific to California. Without repeating the multiple comments both BPA and Tacoma have submitted to the Pathways Initiative, we reiterate that the current legislative proposal in California offers both an insufficient and uncertain path to independent governance. It would not be

responsible for BPA to delay its day-ahead market decision based on a legislative proposal that has an implementation timeline likely to span multiple years.

Sincerely,

Signed by:

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02/26/2025

Ray Johnson
Deputy General Manager
Power Management