

DRAFT EWEB COMMENTS/TALKING POINTS TO BPA ON MARKETS/COMMENTS

October 2023

Thank you for providing stakeholder workshops to discuss BPA's role in the evolving day ahead organized market opportunities in the region. EWEB supports the development of organized markets and recognizes that efficiency is gained by optimizing dispatch over a broad footprint. That said, BPA must be thoughtful and thorough in making such a critical decision.

If BPA establishes a 'leaning' toward one day ahead organized market over another, that decision has large potential impacts on BPA's customers. Ninety five percent of market transactions, sales, and purchases of electricity are based on the next day's forecasted load, and as a result, any day ahead market will have significant impacts on all BPA customers in terms of operations, settlements, and market liquidity.

BPA's market decisions will directly impact the costs and benefits EWEB would realize. Because EWEB is a customer in BPA's balancing authority with generating resources, BPA's decision on market participation is also a decision for EWEB. Our internal systems, processes, and staffing must align with this. For example, EWEB is working with BPA and the CAISO to bid our dispatchable hydro generation into the EIM. Any pivot away from the CA EIM could impact the work EWEB is doing in this area.

EWEB encourages BPA to develop a robust, fact-based, data-driven, business case identifying the costs and benefits to its customers, prior to making a decision to join a day ahead market.

EWEB encourages BPA to take the time required to make the best business decision for its customers, based on BPA specific data and facts. This includes taking the time to understand the key drivers behind market benefits prior to moving to a single DA market. BPA's analysis should also include different scenarios around connectivity/footprint, both qualitatively and quantitatively, as well as a strategy on how and when to pivot to a different market as market rules, connectivity, and seams issues evolve.

We would also like BPA to address the following questions:

- What is the impact of BPA's 'leaning' toward one market over another to BPA internal roadmaps and priorities in terms of direct expenses and opportunity costs.
- How does BPA see connectivity issues with either market impacting its decisions? How confident is BPA that either footprint can deliver benefits for BPA customers?
- How does BPA's "leaning" decision impact its decision to invest in Phase 2 of Markets+?
- Does BPA view its potential decision to invest in Phase 2 of Markets+ as preserving an option? Or a decision to join Markets+?
- What is the timing and expected cost of the SPP Markets + investment decision?
- How will BPA weigh the value of market participation of other entities? How much connectivity in a market is required for BPA to maximize benefits.
- How does BPA anticipate independent governance to drive benefits and allow customers to weigh costs and benefits of non-governance factors such as footprint, connectivity, and transmission availability.

EWEB supports BPA making a decision to join a Day Ahead (DA) market without providing a leaning to a particular market in March 2024.

EWEB is concerned there isn't sufficient certainty around the SPP Markets + business rules, market formation, and tariff to develop a robust business case necessary to compare it to CAISO EDAM by March 2024. On the other hand, we believe there is enough information for BPA to analyze and decide on the value of day ahead markets for BPA in general, without rushing to a 'leaning' about a specific market. In other words, there are

commonalities with all day ahead organized markets, that would allow BPA to begin working toward day ahead market participation. Focusing on those commonalities is a first good step, while allowing the SPP Markets + to further develop, and more information around seams and connectivity to play out. If the purpose of BPA's leaning determination is partially or solely to preserve Markets+ as an option, BPA should articulate this clearly and provide its rationale, distinguishing, if appropriate, the business justification for preserving an option versus deciding to join a particular market.

EWEB believes independent governance is an important factor for BPA to consider when determining which DA market to join, but it isn't the only factor.

EWEB supports PGP, WPAG and PPC market principles. This includes the need for independent governance. We also a recognition that no single principle should solely drive a decision, nor will a single principle drive all costs and benefits. Instead, all principles should be considered together.

The importance of an independent governance structure cannot be understated: an independent governance structure is critically important for ensuring the development of equitable market rules and trust in a fair process for all market participants. However, independent governance by itself cannot achieve market benefits in the absence of a market footprint that can deliver expected production cost savings and market rules that are designed to maximize customer benefits across that footprint.

The potential cost and need to manage complicated seams across highly interconnected bulk transmission systems must also be considered. It is not sufficient for BPA to simply state that independent governance and a representative stakeholder process will enable the agency to sufficiently work through or solve these potential issues or that such a structure will automatically result in outcomes that are beneficial for BPA's customers. This is particularly the case in the event BPA intends to make significant investments in the near term to preserve its market options. BPA must ensure that any near-term investments are not likely to become stranded or that those costs will be offset by achievable benefits.

Today EWEB participates in, and relies upon, the existing short-term and long-term bilateral markets to manage our load service and system reliability obligations. We support a centralized day ahead market that provides benefits through clear and accurate price signals and respects existing bilateral markets. We also believe connectivity and seams issues need to be considered as part of the benefits equation.

This view is well articulated in PGP's comments to BPA.

Given that no design is likely perfectly align with the principles established by NW public power or the broader BPA stakeholder pool, we encourage BPA to avoid framing the discussion of alignment with principles as a pass/fail evaluation or scoring matrix, and to avoid attempting to rank principles in any defined order of precedence. Principles should be used to discuss tradeoffs and alignment, and should be looked at holistically and on balance, with the acknowledgement that they are qualitative and may be prioritized differently by different regional stakeholders.