

The Northwest & Intermountain Power Producers Coalition (NIPPC) supports the establishment and maintenance of competitive power markets in the West. As a membership organization representing independent, non-utility market participants, NIPPC's views are based primarily on supporting the market structures most conducive to competitive outcomes. NIPPC believes that competition leads to greater innovation, fairer outcomes, and lower prices for consumers. To that end, NIPPC supports an outcome for regional wholesale markets that combines centralized real-time and forward energy markets with security-constrained unit commitment and economic dispatch across a broad footprint. NIPPC is also supportive of a more fundamental change in the transmission paradigm in the West with respect to planning, operations, and cost allocation, none of which a day-ahead market addresses, but given the limited scope of BPA's initiative here, limits these comments to considerations specific to BPA joining a day-ahead energy market.

### **Implications for Transmission Customers**

NIPPC has noted and appreciated BPA's engagement with, and its influence on, both SPP's Markets+ Service Offering and CAISO's proposed Extended Day Ahead Market (EDAM) proposal. NIPPC supports BPA's efforts to work with customers to establish a decision framework to guide BPA's potential participation in one of those day ahead market options. NIPPC is focused on the potential impact of the day ahead market proposals on BPA's transmission customers. Both, EDAM and Markets+ will likely impact BPA's transmission business and its transmission customers in significant ways including:

- How and when transmission customers exercise their transmission rights;
- Potential increased cost and risk associated with the exercise of transmission rights between day ahead and real time markets;
- Potential revenues or costs associated with congestion;
- The value of long-term transmission service on BPA's system;
- Seams between markets that increase the cost or risk of day ahead and real time transactions.

NIPPC urges BPA to consider, in weighing whether to participate in a day ahead market, the impact on competition both within the market and across its seams. Setting up a day ahead market should expand the short-term power supply options available to customers, not limit them by setting up artificial market barriers.

Likewise, BPA's participation in a day ahead market should preserve – not diminish – the value of long-term firm transmission rights on BPA's system. BPA should consider whether a market's rules would result in cost shifts among users of the transmission system; BPA's long term firm transmission customers should not subsidize market use of transmission. Any charges for market use of transmission should be roughly equivalent to what a customer could expect to pay for similar short-term transmission service.

### **Sharing Savings with All Customers**

As the West increasingly relies on solar and wind generation whose intermittent output is highly correlated locally, the diversification of resource and load across a wide area can mitigate the challenges of intermittency by creating a more complementary matching of load and generation, relaxing the need for fast-ramping resources, reducing the likelihood of curtailment, and reducing the risk of overbuilding generation or storage. A day ahead and real time market with an expansive geographic footprint will better optimize the dispatch of lower cost/carbon free generation resources to meet demand. But BPA must consider how it can share these geographic diversity benefits and reduced balancing reserve costs with all its transmission customers who purchase balancing services from BPA. If one of the quantifiable benefits of joining a day ahead and real time market (or a resource adequacy program like the Western Resource Adequacy Program) is to reduce the amount of capacity that BPA must deploy itself to meet the need for balancing its system, BPA must develop a mechanism to share those savings with all transmission customers who pay for those services.

The optimal approach would:

- Encompass the largest efficient operational scale possible given general economies of scale and the complementarity of intermittent renewable resources across large geographies;
- Avoid seams where they can be avoided; and
- Where seams cannot be avoided, incorporate policies and agreements that reduce inefficiencies in trading and operations across seams.