

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 Bonneville Power Administration's (BPA's) initiative here, limits these comments to considerations specific to BPA joining a day-ahead energy market. NIPPC looks forward to reviewing BPA's continued analysis on these important deliberations.

### **Implications for Transmission Customers**

NIPPC's primary interest in BPA's potential participation in a day-ahead market is how that participation will impact transmission customers. In previous comments, NIPPC urged BPA to weigh how it will share the market benefits that accrue to transmission customers (through reduced reserves and imbalances charges) with all its transmission customers. NIPPC's interest in an appropriate resolution of this question remains. NIPPC is also interested in understanding how costs and risks may be imposed on transmission customers as a result of BPA's participation.

During the September workshop, BPA presented several scenarios describing how BPA would continue to sell its surplus power in the context of a day-ahead market. During the workshop, NIPPC joined others in urging BPA to present an additional scenario focusing on oversupply conditions. NIPPC notes that BPA has adopted specific policies to address oversupply conditions on its system within the context of the existing bilateral market – including the Oversupply Management Protocol and the Negative Pricing Policy. Both those policies were contentious at the time they were developed; in fact, BPA's initial effort to impose Environmental Redispatch on its transmission customers was rejected at the Federal Energy Regulatory Commission (FERC). NIPPC believes that BPA and its customers must carefully consider how these policies will need to change in the event BPA joins a day-ahead market. Accordingly, NIPPC encourages BPA to describe how these policies would apply in the context of a day-ahead market. NIPPC's specific questions include:

1. What does BPA anticipate its bidding strategy will be in a day-ahead market when load, river conditions, and BPA's environmental obligations lead to a condition in which it would trigger the Oversupply Management Protocol in today's bilateral market? Does BPA intend to amend its Negative Pricing Policy? How will the market rules ensure that BPA does not shift the cost of its environmental obligations to other market participants?
2. How will price formation in a day-ahead market work when the Locational Marginal Prices in BPA's Balancing Area are negative – assuming other generators in BPA are

willing to deliver their output at negative prices? Does BPA intend to amend its Negative Pricing Policy?

3. In the absence of export schedules in a day-ahead market, how will BPA adapt its Oversupply Management Protocol? Would BPA attempt to replace energy from resources with negative price bids with its own energy at \$0.00?

NIPPC anticipates that BPA's answers to these questions will generate additional questions, all of which must be discussed and resolved in a public process with the input of all of BPA's transmission customers.

### **Criteria and Principles in Choosing Which Day-Ahead Market to Join**

This process seems to be focused primarily on educating stakeholders about the potential benefits (and potential pitfalls) that would come with BPA joining a day-ahead market. BPA has released its draft "day ahead market evaluation principles":

- **Governance** – The market has durable, effective, and independent governance structure which provides fair representation to all market participants and stakeholders. Decision-making and stakeholder engagement occurs in a transparent and inclusive manner.
- **Customers** - Bonneville's evaluation of day-ahead market participation includes transparent consideration of the commercial and operational impacts on its products and services.
- **Greenhouse Gas** - Bonneville will evaluate how participation will impact greenhouse gas emissions attributed to the federal system and customers' ability to comply with state carbon programs. Participation must maintain the value of the low-carbon nature of the federal system to the extent possible.

BPA, however, will be deciding not only whether to join a day-ahead market, but must also decide which of the two competing day-ahead markets in the Western Interconnection it will join. NIPPC agrees that each of these three principles is important for BPA to consider in deciding whether to join a day-ahead market. NIPPC also suggests that governance, impacts to customers, and greenhouse gas accounting will all be critical factors for BPA to consider in determining whether to join the California Independent System Operator's Extended Day Ahead Market (EDAM) or the Southwest Power Pool's Markets+. NIPPC also notes that neither Markets+ nor EDAM has finally settled any of the questions raised by these principles.

Obviously, the stakeholder process for the detailed market design for Markets+ is still underway. Markets+ has some salutary elements of independent governance that are lacking in EDAM, which NIPPC appreciates and supports, but the initiative is operating under an interim independent board entity, and stakeholders and market participants are still learning and adjusting to its participant-driven, voting-based approach. At the same time, while the California Independent System Operator (CAISO) filed its EDAM proposal in August 2023, FERC has not yet

approved those provisions. Not even EDAM's governance structure is finally settled; stakeholders in the West, at the urging of a large group of western public utility commissioners, are currently exploring an independent governance model for EDAM and the Western Energy Imbalance Market (EIM), beyond minor reforms already underway to the joint governance model of the Western EIM. BPA itself recently provided comments and requests for clarification to FERC on EDAM; BPA should carefully consider FERC's response and the final EDAM tariff language. BPA should share its comments and FERC's final order with stakeholders in this process and accept responsive feedback on BPA's stated concerns as part of this process. This should all occur before making any final decision on which market best satisfies the above factors.

But as important as each of those factors should be in BPA's decision-making process in evaluating its day-ahead market options, NIPPC encourages BPA to expand this list to include the following additional principles:

- Potential for cost shifts between transmission customers and between classes of transmission customers.

Each of the proposed day-ahead markets for the West has its own new market charges for transmission, its own specific transmission service requirements, and potentially significant impacts to the value of BPA's transmission service to its long-term firm transmission customers. NIPPC encourages BPA to consider how the rules governing transmission requirements in each market will preserve, enhance, or erode the value of long-term firm transmission service for point-to-point customers, in addition to considering the effects on network integration customers. Both the CAISO EDAM and Markets+ may have different "winners and losers" within each structure, and BPA should identify, understand, and evaluate those impacts not only to BPA but to other market participants. BPA cannot fully understand the impacts on itself and its customers without understanding the impacts on others.

- The size and transmission connectivity of the market footprint.

Generally, the larger the market footprint and the greater its transmission connectivity, the greater the potential benefits to the participants arising from the greater diversity of loads and generation resources. In the West, PacifiCorp has already announced its intention to join CAISO's EDAM. Even if the rest of the Western balancing areas, including BPA, join Markets+, there will be a significant seam separating the Markets+ participants in the Pacific Northwest from those in the Mountain and Desert Southwest. In evaluating which market to join, NIPPC urges BPA to consider whether the potential benefits to BPA's customers of BPA joining a day-ahead market can be realized given the potential footprints of each of the competing market structures. This analysis should consider the specific impacts of different utilities joining each day-ahead market. The more utilities that join either market could impact the benefits that will accrue to BPA when joining the market with the larger footprint. In particular, NIPPC urges BPA to consider how market seams and transfer capacity

between BPA and its primary trading partners will impact BPA's secondary sales revenues and how market design may impact sales of transmission service (specifically short-term and non-firm services).

- The costs to BPA of joining each market.

Both markets will require BPA to incur costs to join; NIPPC urges BPA to consider those costs in evaluating its options. Considering that CAISO already operates a day-ahead market in the West and already operates the Western EIM, NIPPC anticipates that EDAM will have lower costs than those required to allow SPP to establish a market in the West from scratch as an additional function to its day-ahead (and real-time) market service in its RTO footprint proper. NIPPC appreciates the attraction of a market with deeper governance independence today and whose day-ahead market rules have been significantly and directly affected by BPA from the beginning, but the potential benefits of those aspects (and any other benefits calculated by BPA) must be weighed carefully and transparently against the start-up and implementation costs.

NIPPC encourages BPA to consider and weigh these additional principles (potential cost shifts among customers, market footprint, and cost to join) along with the principles that BPA has already indicated it will weigh (greenhouse gas accounting, customer impacts, and governance) in deciding which day ahead market to join.