

September 29, 2023

Mr. John Hairston – CEO and Administrator
Bonneville Power Administration
905 NE 11th Ave
Portland, Oregon 97232

Dear John:

As the largest federal power marketer and transmission owner in the Pacific Northwest, the Bonneville Power Administration (BPA) and its customers hold a vital responsibility to participate and lead on market development and modernization and critical expansion of transmission to serve the Northwest region economically and reliably.

BPA pledged in its 2024-2028 Strategic Plan to meet the evolving needs of its customers and the Northwest, while enhancing its role as a driver of the region's clean energy economy. In support of this vision, BPA has taken important steps in market evolution including participation in the Western Energy Imbalance Market (WEIM), the Western Resource Adequacy Program (WRAP) the California Independent System Operator's Extended Day Ahead Market (EDAM) and the Southwest Power Pool's Markets+. More recently, BPA has announced its intent to move forward with significant transmission investments and projects vital to the region.

BPA's strategic plan states that the Agency is taking an incremental approach toward more integrated system operations that promise to enhance reliability and resilience. This includes consideration of moving beyond a day-ahead market and evaluating the services and benefits that could be provided by a regional transmission operator. While we are supportive of the development of the incremental markets, we are concerned that the current approach is not guided by an overall vision with end-state goals. We are also concerned that public power entities cannot participate in these markets. This would not be the case with a fully functioning Regional Transmission Organization and Independent System Operator (RTO/ISO) that would provide for broad and inclusive market participation.

We believe the most efficient and cost-effective way for BPA to bring the benefits of reliable, affordable, and clean electricity to communities large and small is to develop an RTO/ISO with full participation from BPA and all its assets.

Benefits to BPA and its customers of a well-designed and operated RTO/ISO include:

- Greater grid reliability through optimization of generating assets to respond to regional demand variations.
- Decarbonization, including increased build out and integration of renewable generation, while maintaining grid reliability and cost competitiveness.
- Increased cost competitiveness as entities access lower cost resources from a broader regional footprint. Participating in an RTO/ISO supports BPA's objective of expanding transmission to deliver energy from geographically dispersed resources to population centers while minimizing costs associated with transmission expansion and increased service requests.
- Increased renewables penetration as projects are enabled greater access to high-wind and solar regions with reduced concern for layered transmission costs.

- Ability to expand the transmission available for customers, aiding the integration and delivery of new, clean resources.
- Enable greater transmission access and redispatch and siting of generation for BPA customers without the need for investing in expensive or unnecessary transmission expansion.
- Supports BPA's strategy of providing greater coordination across states to provide consistency in greenhouse gas accounting and tracking the environmental attributes of power.
- Allow broader market participation that current market structures do not allow.
- Allow BPA customers that are growing to develop and operate needed power resources to meet their growing loads. This responsibility is one we take very seriously given BPA's draft record of decision where BPA's Tier 1 system will effectively be capped.
- Effectively institutionalize "Transfer Service" which has saved BPA and its customers millions of dollars over the years and provides transfer customers with a critical service to overcome a balkanized grid.
- More effectively convert planning into results with transmission construction through regional coordination, broader access to capital and a transmission tariff that assures effective cost recovery and proper allocation of costs and benefits.
- Transparent market signals to encourage and guide new resource and infrastructure development.

We believe multiple options should be considered for implementation of an eventual RTO/ISO, including SPP, CAISO or greenfield Western RTO/ISO efforts so long as the eventual product complies with the below principles for RTO/ISO market development.

We are encouraged by a letter submitted in July by Western state public utility commissioners (Regulators' Letter) announcing an initiative to create an entity, governed independently, that can deliver market services throughout the West, including California. This initiative is an important first step to de-balkanize our regional transmission system and advocate for the development of an RTO/ISO.

The Regulators' Letter contemplates next steps and a group that would begin to discuss issues and opportunities. We think BPA must be part of this effort not just as a stakeholder, but as a key leader and supporter of this and other RTO/ISO efforts.

The undersigned understand that governance and operating details are critical to the success of the RTO/ISO, and offer the below as guiding principles for RTO/ISO market development:

1. Full, independent, regional RTO/ISO as an end-state with clear commitments and a timeline toward this end-state.
2. Governance must prevent partiality for sub-regions or states within the RTO/ISO and accommodate different state-level policies. The governance must have: (a) multi-state/party governance more like other multi-state RTO/ISOs, and (b) balanced market rules that do not create seller, buyer, or state bias.
3. Incremental steps towards RTO/ISO are acceptable with two conditions: (a) the existence of a clear end-state as provided in #1 above, and (b) the incremental steps do not continue to bar entities including public power from full participation in the incremental pieces being put in place.
4. Reuse of existing tools, institutions, and organizations to create a new RTO/ISO.

We think BPA can continue and even enhance its role as a provider of clean, cost-effective power to our communities. We request that BPA publicly support the development of an RTO/ISO with the above principles for governance and development and fully participate in the efforts contemplated in the Regulators' Letter and other emerging proposals not just as a stakeholder, but as a key leader and supporter. This includes issuing a public statement about BPA's willingness to develop and participate in the design and implementation of an RTO/ISO along with clear BPA principles.

BPA's publicly stated commitment to participate will send a powerful signal to the region that an RTO/ISO is supported and is the end state we are working toward. Absent BPA's support, the Northwest region will not have the opportunity to participate in a Western or Northwestern RTO/ISO and BPA's customers will suffer the economic and reliability consequences of insufficient power and transmission resources to meet their needs.

Signed:

Big Bend Electric Cooperative, Inc.
Blachy-Lane Electric Cooperative
Central Electric Cooperative, Inc.
Clearwater Power Company
Consumers Power, Inc.
Coos-Curry Electric Cooperative, Inc.
Douglas Electric Cooperative
Fall River Rural Electric Cooperative, Inc.
Flathead Electric Cooperative
Harney Electric Cooperative
Inland Power and Light
Kootenai Electric Cooperative
Lane Electric Cooperative, Inc.
Lincoln Electric Cooperative, Inc.
Mid-State Electric Cooperative
Northern Lights, Inc.
Northern Wasco County PUD
Okanogan County Electric Cooperative, Inc.
Orcas Power and Light Cooperative
Pacific Northwest Generating Cooperative (PNGC Power)
Raft River Rural Electric Cooperative, Inc.
Ravalli Electric Cooperative
Wells Rural Electric Company
West Oregon Electric Cooperative, Inc.