



April 7, 2025

John L. Hairston
Administrator and Chief Executive Officer
Bonneville Power Administration
905 NE 11th Avenue
Portland, Oregon 97232

Re: Comments of Renewable Northwest on BPA's Day-Ahead Market Draft Policy

Dear Administrator Hairston:

Renewable Northwest ("RNW") appreciates the opportunity to comment on the Bonneville Power Administration's ("BPA" or "Bonneville") Day-Ahead Market ("DAM") Draft Policy, issued on March 6, 2025. In the DAM Draft Policy, BPA affirms an intent to participate in the Southwest Power Pool's ("SPP") Markets+ DAM.¹ While RNW appreciates the thorough process and review that has led to the publication of the DAM Draft Policy, RNW respectfully disagrees both that the Draft Policy represents "responsible decision-making" and that immediate action to select a DAM is necessary—or appropriate—given current circumstances.² Therefore, consistent with our advocacy throughout this process,³ RNW urges BPA to delay its decision to enter into a DAM for a period of at least nine months to allow for questions regarding the respective DAM offerings and workforce issues to be more fully resolved. To effectuate this, RNW respectfully requests that BPA's May 2025 Final Policy and Record of Decision ("ROD") indicate a clear intent to join a DAM at a later date but explicitly recognize and state that further investigation on the issue is warranted. During this time, BPA should continue to engage in the California

¹ DAM Draft Policy at 2.

² <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/20250306-day-ahead-market-draft-policy-cover-letter.pdf>

³ See RNW Letter to BPA Administrator (Mar. 4, 2025) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/rnw-letter-on-bpa-dam-decision.pdf> (attach as exhibit); Comments of Renewable Northwest on Bonneville's Public Engagement for Establishing a Policy Direction on Potential Day Ahead Market Expansion (Sep. 29, 2023) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/renewable-northwest-day-ahead-202310.pdf>; RNW Letter to BPA Administrator Re: Day Ahead Market Participation (Oct. 10, 2023) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ah/>; RNW Comments on the October Workshop Evaluating Bonneville's Potential Day Ahead Market Participation (Nov. 20, 2023) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/rnw-comments-on-oct-dam-workshop-final.pdf>; Comments of Renewable Northwest on BPA Staff Policy Paper on Day-Ahead Market Participation (A-7) (May 3, 2024) *available at* <https://publiccomments.bpa.gov/CommentList.aspx?ID=509>; Oregon Clean Grid Collaborative Members' Response to Bonneville Power Administration's Day-Ahead Market Proceedings, Policy Paper, and Staff Recommendation (July 17, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/ocgc-letter-to-bpa-20240717.pdf>; Coalition Letter to Pacific Northwest Congressional Delegation (July 25, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/240725--letter-to-pacific-northwest-congressional-delegation.pdf>.

Independent System Operator's ("CAISO") Western Energy Imbalance Market ("WEIM"), and build upon the \$98.11 million⁴ in benefits it has already accrued for its customers and the region.

I. INTRODUCTION

RNW is a membership-based 501(c)(3) clean energy advocacy organization comprised of energy industry leaders as well as environmental, equity, and consumer advocacy organizations. We are committed to a long-term focus on the renewable energy policies and markets of Oregon, Washington, Idaho, and Montana. RNW's members are both customers of BPA's transmission system and advocacy organizations seeking to uphold and support BPA's statutory obligations to the Pacific Northwest.⁵ RNW is uniquely positioned to ensure that BPA meets its obligations in a manner that aligns with statutory requirements, facilitates equitable access to its transmission system, and furthers the public interest in our region.

In these comments, RNW provides additional context regarding why BPA's DAM Draft Policy indicating an intent to join a geographically distant, emergent market with limited depth and footprint⁶ and significant unresolved structural components—SPP's Markets+—is unnecessary at this time and contrary to the interests of its customers and the region. While RNW supports BPA's intent to move forward with a DAM offering, unresolved questions and issues remain regarding both SPP's Markets+ and CAISO's Extended Day-Ahead Market ("EDAM") that render the timeline proposed in the DAM Draft Policy unworkable.

Additionally, the unprecedented and unanticipated federal workforce reductions and attendant uncertainty BPA faces is placing an immediate strain on Bonneville's ability to deliver safe and reliable power to its customers. Rather than joining a DAM at this time, BPA should pause to shore up its ability to meet its core requirements and also assess whether it has the bandwidth to move forward with entering a new DAM—a daunting task even without the added considerations of workforce reductions and uncertainties. If BPA were to act on the recommendations articulated in the DAM Draft Policy, it would likely be unable to implement a transition out of CAISO's WEIM and into Markets+ due to an inability to hire and promote new staff, notwithstanding the significant costs it would incur in this transition.⁷ The pressure and uncertainty faced by federal agencies like BPA was not anticipated throughout BPA's DAM decision-making process, and justifies RNW's request that BPA issue a Final ROD in this matter

⁴ Figures available as of March 3, 2025. Letter from IBEW, Seattle City Light, PacifiCorp, and Portland General Electric (Mar. 3, 2025) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/03032025-letter-to-bpa-from-ibew-pge-pac-and-scl.pdf>.

⁵ See generally <https://renewablenw.org/our-work>

⁶ In these comments, RNW generally uses "depth" or "market depth" to refer to the total number of participants in a market. This differs from market footprint, that is used to generally refer to the geographic reach of a market in addition to its available existing and planned transmission infrastructure.

⁷ Bonneville's total share of SPP Markets+ Phase 2 development is \$40 million in addition to the \$53.7 - \$74.2 million estimated internal implementation costs and the \$15 million/year ongoing participation fee. See Draft DAM Policy at 37-38 and Comments of the NW Energy Coalition, February 18, 2025 *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/2025-02-28-bpa-day-ahead-market-nwec-comments.pdf>.

that delays a final decision to enter into a DAM. Instead, BPA should focus first and foremost on confirming its ability to maintain existing functions, especially those impacting the cost and reliability of power to the region and not over-extend itself to commit further funding or staff resources to implementing a new DAM, particularly a nascent one. These existing functions include BPA's ongoing BP-26 rate case, the new transmission planning reforms, Provider of Choice, Fish and Wildlife and Tribal Programs, Evolving Grid, and the Residential Exchange Program, among others. RNW is concerned that the agency may be challenged to adequately deliver on these existing processes, let alone implement a new DAM construct.

Concerns regarding BPA's proposed path forward is shared by a wide range of key BPA stakeholders, customer advocacy organizations, and congressional and governmental representatives as articulated in letters from Senators Murray, Cantwell, Merkley, and Wyden; IBEW, Seattle City Light, PacifiCorp, and Portland General Electric; Oregon Governor Tina Kotek; then Washington Governor Jay Inslee; large energy users AWS, Clean Energy Buyers Association, Google, Microsoft, Rivian, Sila, RECSILICON, Sabey Data Centers, Vantage Data Centers, and Western Freedom; representatives from the Oregon Legislature; representatives from the Washington Legislature; Seattle City Light (individually); Oregon and Washington State Agencies; NW Energy Coalition; Oregon Clean Grid Collaborative; and PNGC, among others.⁸ It is widely held that the decision to move forward with joining Markets+—or any DAM—at this exact time is not in the best interests of BPA, its customers, or the region. Nowhere in the DAM Draft

⁸ Oregon, Washington's U.S. Senators Urge BPA to Carefully Consider Day-Ahead Electricity Market Decision (July 25, 2024) *available at* <https://www.merkley.senate.gov/oregon-washingtons-u-s-senators-urge-bpa-to-carefully-consider-day-ahead-electricity-market-decision/>; Kotek, Tina, Bonneville Power Administration's Day-Ahead Market Participation Evaluation (Mar. 28, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/oregon-governor-kotek-032824-governor-kotek-letter-to-bpa-administrator-hairston.pdf>; Letter to Administrator Hairston from IBEW 125, IBEW 483, IBEW 77, Seattle City Light, PacifiCorp, and PGE (Mar. 3, 2025) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/03032025-letter-to-bpa-from-ibew-pge-pac-and-scl.pdf>; Concerns with Bonneville Power Administration's Day-Ahead Market Participation Evaluation (Jan. 26, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/20240126-washington-gov-inslee.pdf>; Letter from Senators (Dec. 13, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20241213-delegation-letter-bpa-markets-choice.pdf>; Comments to Bonneville Power Administration on Day-Ahead Market Participation Evaluation *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/customers-feb-2025-letter-to-bpa.pdf>; Concerns over Bonneville Power Administration's Process to Evaluate Benefits and Impacts Associated with Day-Ahead Market Participation (Mar. 26, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/20240326-oregon-state-legislature.pdf>; Seattle City Light Response to PPC Support for BPA's Proposed Timeline and Continued Pursuit of Markets+ Participation Letter (Mar. 6, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20240306-seattle-city-light.pdf>; State Agency Comments on Bonneville Power Administration's Day-Ahead Market Participation Evaluation, Workshop 5 held on February 1, 2024 *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/or-wa-state-agency-comment-on-bpa-dam-workshop-5-030124.pdf>; PNGC Letter (Mar. 27, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/pacific-northwest-generating-cooperative-03-27-24-pngc-letter-to-bpa-on-markets.pdf>; Comments of the NW Energy Coalition *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/2025-02-28-bpa-day-ahead-market-nwec-comments.pdf>; Comments of the Oregon Clean Grid Collaborative *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/ocgc-letter-to-bpa-20240717.pdf>.

Policy or elsewhere has BPA articulated a compelling rationale for why moving forward with such a drastic and significant decision is necessary on the timeline put forth.

BPA argues in the DAM Draft Policy that “new markets present opportunities for Bonneville to enhance the availability of reliable and affordable power to our customers through increased resource diversity.”⁹ While this is true, the benefits of regional markets are linked to the structure, depth, footprint, and governance of the market in question. If the Western Interconnection is divided into two separate markets—which the DAM Draft Policy would create if adopted—benefits from increased reliability, affordability, and resource diversity would be severely diminished. Since there are a multitude of unanswered questions related to the scope and scale of the two competing markets in question, BPA should pause this process if it truly seeks to enhance affordability and reliability of power through resource diversity.

In addition, it is questionable whether a decision to move forward with joining Markets+ at this time comports with the statutory obligations BPA owes to its customers in the region. Further, these comments will detail the varying reasons why BPA should delay its decision to enter a DAM, highlight why the decision in the DAM Draft Policy would lead to inefficient and uneconomic results, raise concerns related to BPA’s decision to fund Markets+ using money that will be recovered from customers without any Due Process, and outline the lack of transparency into how BPA’s decision will impact transmission customers and ultimately ratepayers of the region’s utility customers. These comments will detail those concerns and request clarifications that must be addressed in the Final ROD.

For the above and following reasons, RNW respectfully requests that BPA delay its decision to join a DAM for a period of at least nine months to allow for questions regarding the respective DAM offerings and workforce issues to be more fully resolved. BPA’s May 2025 Final ROD should indicate a clear intent to join a DAM in the general sense, but explicitly recognize that further investigation on the issue is warranted before a specific DAM is chosen.

II. DISCUSSION

A. BPA’s Statutory Obligations

As Bonneville notes in the DAM Draft Policy, its decision to join any market “must comport with multiple grants of authority, including, but not limited to, power marketing, providing transmission service, and operating in a business-like manner.”¹⁰ In exercising these authorities, BPA observes that “the Administrator must balance his ability to meet multiple statutory obligations.”¹¹ The diverse and binding nature of BPA’s multiple statutory obligations is well-documented. While RNW appreciates the legal assessment of BPA’s statutory obligations in the DAM Draft Policy and Attachment 2,¹² these documents fail to discuss key statutory requirements that are implicated by an immediate decision to move forward with joining

⁹ DAM Draft Policy at 2.

¹⁰ *Id.* at Appx. A, p. 69.

¹¹ *Id.*

¹² DAM Draft Policy, Attachment 2.

Markets+. While RNW does not dispute that BPA possesses the requisite legal authority to enter into a DAM in the general sense, it is unclear whether the decision articulated in the DAM Draft Policy meets its diverse statutory mandates. Absent a robust discussion of how a decision to move forward with Markets+ aligns with *all* of its statutory obligations, it is likely that a Final ROD cementing the decision in the DAM Draft Policy will suffer from fatal legal flaws.

For example, BPA notes that “some of its key objectives rooted in statute are to ensure an adequate, efficient, economical, and reliable power supply, and to *encourage the widest possible diversified use of electric power* at the lowest possible rates to consumers consistent with sound business principles.”¹³ Nowhere in the Draft DAM Policy does BPA articulate how entering into a relatively small, geographically distant, nascent market with inherently limited resource diversity furthers its statutory obligation to “encourage the widest possible diversified use of electric power.”¹⁴ RNW respectfully requests that BPA thoroughly articulate in its Final ROD how the decision to enter into Markets+ while substantial unresolved questions remain about the market’s depth, diversity, structure, footprint, and other factors comports with this binding statutory requirement.

These comments will discuss additional foundational statutes implicated by DAM Draft Policy that RNW does not feel are fully addressed. In order to ensure a robust Final ROD that complies with applicable legal requirements, RNW asks that BPA respond to the questions articulated herein in its Final ROD.

a. Bonneville Project Act of 1937

BPA’s original enabling legislation, the Bonneville Project Act of 1937, created the Bonneville Project, which included the Bonneville Dam and the transmission system necessary to deliver the power generated by it. The statute authorized the Administrator to sell power generated by the Bonneville Dam and to construct, own, and operate a transmission system to deliver power to its customers.¹⁵ Section 832a(b) of the Act provides:

[i]n order to encourage the widest possible use of all electric energy that can be generated and marketed and to provide reasonable outlets therefor, and to prevent the monopolization thereof by limited groups, the administrator is authorized and directed to provide, construct, operate, maintain, and improve such electric transmission lines and substations, and facilities and structures appurtenant thereto, as he finds necessary, desirable, or appropriate for the purpose of transmitting electric energy, available for sale, from the Bonneville project to existing and potential markets, and, for the purpose of interchange of electric energy, to interconnect the Bonneville project with other Federal project and publicly owned power systems constructed on or after August 20, 1937.¹⁶

¹³ DAM Draft Policy at Appx. A, p. 70 emphasis added.

¹⁴ 16 U.S.C. § 832a(b).

¹⁵ BPA’s foundational statutes, Provider of Choice Post-2028 (August 2020) *available at* <https://www.bpa.gov/-/media/Aep/about/publications/fact-sheets/fs-202008-BPA-foundational-statutes.pdf> citing 16 U.S.C. § 832.

¹⁶ 16 U.S.C. § 832a(b).

As discussed, BPA has not provided sufficient rationale to justify why entering a small and nascent market meets this Act's requirement to "encourage the widest possible use of all electric energy that can be generated and marketed."

In addition, RNW requests that BPA address the following in its Final ROD:

- Please explain how entering a market in which BPA and Powerex—a Canadian entity seeking to sell surplus hydroelectric energy to the United States from dams in British Columbia to generate profit—make up approximately 60% of the current projected market share (and with voting in the stakeholder process weighted accordingly) meets BPA's obligation to "prevent monopolization thereof by limited groups."¹⁷
- Please explain how entering a small and nascent market meets this Act's requirement to "encourage the widest possible use of all electric energy that can be generated and marketed."

b. Flood Control Act of 1944

Under 16 U.S.C. § 825s, BPA is similarly obligated to "transmit and dispose of [] power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles."

RNW requests that BPA address the following in its Final ROD:

- Please explain how entering a small and nascent market meets this Act's requirement to "transmit and dispose of [] power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers."
- Please explain how deciding to enter into any market with substantial uncertainties regarding its overall footprint, governance structure, and market structure represents adherence to "sound business principles."
- Expanding on the above, please explain why BPA waited eight years before joining the WEIM while it is now deciding to enter into a DAM that is not yet operational. How do both of these decisions reflect "sound business principles"?

c. Pacific Northwest Electric Planning and Conservation Act of 1980

The Pacific Northwest Electric Planning and Conservation Act of 1980 ("Northwest Power Act") is the most recent significant legislation pertaining to BPA. It reaffirmed the agency's preference and priority for power sales to its public body and cooperative customers, further defined BPA's first obligation to supply power to the Pacific Northwest, granted the Administrator authority to acquire resources on a long-term basis, and obligated the administrator to offer a contract to sell power to public bodies and investor-owned utilities whenever requested.¹⁸ However, it also did much more.

¹⁷ *Id.*

¹⁸ BPA's foundational statutes, Provider of Choice Post-2028 (August 2020) *available at* <https://www.bpa.gov/-/media/Aep/about/publications/fact-sheets/fs-202008-BPA-foundational-statutes.pdf> citing 16 U.S.C. § 839.

The Northwest Power Act not only made BPA responsible for meeting the power needs of its customers in a least cost manner, it mandated that BPA establish programs to conserve electricity, develop renewable energy, protect fish and wildlife, and encourage public participation in the formulation of regional power policies.¹⁹ While BPA notes that participation in a DAM would fulfill its preference obligations and eligible customer requests for electricity under the Northwest Power Act,²⁰ the DAM Draft Policy fails to articulate how its proposed action meets BPA's obligations to the region²¹ under the Act. For its part, BPA recognizes that "the U.S. Court of Appeals for the Ninth Circuit has noted that '[t]he Administrator] must continue to run [Bonneville] like a business on a sound financial basis, enabling it to repay its debt to the federal treasury in a timely fashion, *while discharging costly new public duties assumed after the Northwest Power Act's passage.*'"²²

Therefore, federal courts and BPA both acknowledge that the binding statutory requirements to the region found in the Northwest Power Act must be fulfilled contemporaneously with BPA's obligations to run the agency in a business-like manner. It is not enough for BPA to demonstrate that the recommendations in the DAM Draft Policy meet statutory obligations to its customers, it must demonstrate how it furthers its obligations to the *region* as well.

The Northwest Power Act requires the following, among others:

- Under 16 U.S.C. § 839, the various purposes of the Northwest Power Act must be construed in a consistent manner.
- Under 16 U.S.C. § 839(1)(B), one such purpose is the development of renewable resources within the Pacific Northwest.
- Under 16 U.S.C. § 839(2), one such purpose is to assure the Pacific Northwest of an adequate, efficient, economical and reliable power supply.
- Under 16 U.S.C. § 839(4), one such purpose is to provide that customers pay all costs necessary to produce, transmit, and serve resources to meet the region's electric power requirements, including the amortization on a current basis of the Federal investment in the Federal Columbia River Power System.

RNW requests that BPA address the following in its Final ROD:

- Please explain how the DAM Draft Policy meets all of BPA's statutory obligations—including those to the region—in a consistent manner, as required by 16 U.S.C. § 839.
- Please explain how entering into any market with undefined parameters, market depth, and structure can definitively lead to meeting its statutory obligations in a least cost manner.
- Please explain how entering into a market with limited resource and geographic diversity—wherein BPA and Powerex currently make up almost 60% of the total market share—will help promote the development of renewable energy in the Pacific Northwest

¹⁹ Implementation of the Pacific Northwest Electric Power Planning and Conservation Act by DOE's Bonneville Power Administration, Statement of J. Dexter Peach, Director, Energy and Minerals Division Before the Subcommittee on Oversight and Investigations and the Subcommittee on Energy Conservation and Power Committee on Energy and Commerce, U.S. House of Representatives (Nov. 10, 1981) *available at* <https://www.gao.gov/assets/116852.pdf>.

²⁰ DAM Draft Policy, Attachment 2 at p. 4-7.

²¹ See, e.g., 6 U.S.C. § 839(1)(B) and 16 U.S.C. § 839(2).

²² DAM Draft Policy at 70 citing *Ass'n of Pub. Agency Customers v. Bonneville Power Admin.*, 126 F.3d 1158, 1170-71 (9th Cir. 1997) *emphasis added*.

as required by 16 U.S.C. § 839(1)(B), when it has been demonstrated that markets with greater resource and geographic diversity lead to a greater penetration of renewables?²³

- Please explain how the creation of two markets in the Western Interconnection—which BPA acknowledges will require complex and yet-to-be-determined seams agreements that will affect efficient dispatch and reliability—will meet BPA’s obligation to assure the Pacific Northwest of an adequate, efficient, economical and reliable power supply.²⁴
- BPA argues that Markets+ will provide value to customers.²⁵ Please explain how moving forward with Markets+ at this early stage will also provide value to the region in line with its statutory obligations.

B. Multiple Factors Necessitate Delay of BPA’s Decision

Recent circumstances beyond BPA’s control have significantly altered the agency’s ability to hire, promote, and retain key staff that warrant immediate reexamination of the DAM Draft Policy. The unprecedented and unanticipated federal workforce reductions and attendant uncertainty BPA faces are placing an immediate strain on BPA’s ability to deliver safe and reliable power to serve its customers and meet its statutory obligations. Since these intervening events were not anticipated during the course of BPA’s DAM process, BPA should use this opportunity to reassess the viability of entering into a DAM at this time. While affected stakeholders are advocating for BPA’s federal hiring freeze to be lifted,²⁶ the success of these efforts remains to be seen. BPA’s ability to retain staff continues to be imperiled, especially after the second buyout offer sent March 31, 2025 to BPA employees to further the Trump administration’s desire to implement a “large scale reduction in force” across federal agencies.²⁷

Rather than entering into a new market that would require it to exit the WEIM, overhaul its operations, hire, train, and promote new staff (during a hiring freeze)—and completely revamp the software it uses to dispatch and optimize its system—BPA should continue to participate in the WEIM. This would allow BPA to continue to accrue significant benefits while significant unresolved questions regarding both DAMs remain, in addition to the above mentioned workforce uncertainties.

During the minimum nine-month waiting period RNW requests in these comments, unresolved questions regarding governance, market design, market depth, and other key factors can come into focus, which would enable BPA to make a more informed decision. This process would more closely mirror BPA’s calculated and prudent process that culminated in its entering the WEIM in 2022. Moving towards Markets+ on the timeline envisioned in the DAM Draft Policy is imprudent, out-of-step with past practice, and places significant and unnecessary risks on BPA’s

²³ See Market Configuration Matters: Effects of Market Choices on Consumers in the Northwest US at 11 (June 2024) *available at* <https://gridstrategiesllc.com/wp-content/uploads/Market-Configuration-Matters-June-2024.pdf>.

²⁴ BPA acknowledges the impacts of seams. See BPA’s Public Engagement for Establishing a Policy Direction on Potential Day-Ahead Market (DAM) Participation - Workshop 10 at slides 30-43 (Jan. 29-30, 2025) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/dam-workshop-10-presentation-20250129.pdf>.

²⁵ DAM Draft Policy at 2.

²⁶ https://www.newsdata.com/clearing_up/northwest-organizations-ask-doe-to-lift-federal-hiring-freeze/article_1f822c89-7d1b-4b70-a0fd-452354275e18.html.

²⁷ https://www.newsdata.com/clearing_up/bpa-employees-receive-another-buyout-offer/article_6a374079-86b0-4a63-941b-39d3703ed070.html.

customers and the region. Rather than move forward on an unnecessarily accelerated timeline, RNW urges BPA to focus on its core functions and obligations, achieve stability in its operations and workforce, and allow sufficient time for both DAM offerings to mature.

a. Moving forward with Markets+ is impractical from an operational perspective

Entering into Markets+ at this early stage would require a significant overhaul of BPA's operational system that it likely cannot achieve given current challenges related to workforce hiring and training. BPA notes that:

[t]he implementation costs to join Markets+ are higher than those for EDAM because Markets+ will have its own software separate from SPP's other markets, whereas EDAM is an extension of the current CAISO day-ahead market, and WEIM and is implemented with the same software.²⁸

It is clear that BPA will have to completely redesign its software and operational system and train, hire, and promote key staff in order to participate in Markets+. While BPA estimates internal costs to implement Markets+ will be \$53.7-\$74.2 million,²⁹ it is unclear how BPA will operationalize the transition and how it will hire and promote new staff. Given the current dynamics due to workforce downsizing pressure from the federal administration, BPA will likely not be able effectuate the transition. When BPA entered into the WEIM, it did so after a lengthy and robust process that allowed the market to gain depth and realize benefits for eight years.³⁰ Delaying a decision to join a DAM would allow time for BPA to audit and adjust to the workforce reductions and prepare for the rehiring of staff needed to implement a DAM. Notably, when BPA joined the WEIM, it spent approximately \$75 million over several years to update software, develop programs, and hire staff to implement the market. Under the current workforce and funding conditions, it is unclear if BPA will have the same ability to commit adequate resources to implement a new DAM.

While BPA discusses the differences in external implementation costs between Markets+ and EDAM,³¹ the DAM Draft Policy is devoid of any discussion regarding how Bonneville would be able to operationalize the shift given the current dynamics. Therefore, RNW respectfully requests that the Final ROD explicitly address the following questions:

- How many new staff will BPA need to hire, promote, or transition from other duties to implement Markets+? How does BPA plan to do so given the current federal workforce reductions and hiring freeze?
- What are the total WEIM software costs that must still be recovered from BPA's ratepayers?
 - Does BPA intend to accelerate the depreciation of these software costs before entering into Markets+?
 - What will the rate impact be to BPA's customers from this proposal?
 - How will these costs be recovered and what venue will the cost recovery be requested in?

²⁸ DAM Draft Policy at 37.

²⁹ *Id.* at 38.

³⁰ *Id.* at 6.

³¹ *Id.* at 37-38.

- What is the timing of the tariff amendments required to memorialize operational changes?
 - How will BPA manage the staff time needed for this process while also managing and meeting the needs of existing staff responsibilities such as the yearly rate cases?
 - How will the timing of this process coincide, or not, with a rate case? In which rate case does BPA anticipate these tariff changes to be considered?

b. Delaying a DAM decision will allow time for markets to mature

Significant unresolved questions remain regarding both Markets+ and EDAM that warrant granting RNW's request to delay joining a DAM. It is imprudent for BPA to join either market at this early stage. Instead, to fulfill its obligations to its customers, the region, and its obligations to hold open and transparent public processes, BPA should allow time for both markets to mature in terms of governance, market depth, and other outstanding dynamics that will help enable it to make an informed decision at a later date.

To bolster its claim that a firm decision is needed in the near term, BPA argues that:

[b]ased on its experience as a later entrant to the WEIM, Bonneville believes that early day-ahead market involvement will better meet its customer and stakeholder objectives because the first years of a market greatly influence development and maturation of the market design.³²

This argument is unpersuasive for a number of reasons. First, BPA waited eight years to enter into the WEIM.³³ RNW and other parties to this process are asking for BPA to delay its decision by a matter of months. Second, BPA is already engaging in market design conversations at both Markets+ and EDAM—including conversations related to governance—and it can continue to do so before it officially joins one of the two DAMs. Third, Markets+ is not expected to be operational until 2027, with BPA expecting to enter in 2028. BPA can continue to engage in market design and governance conversations for almost three years and still be able to join “the first years of a market” that it claims are essential.

i. Governance

Governance—specifically the independence and structure thereof—is a significant issue that BPA has placed heavy emphasis on throughout this process. While market governance is an issue that BPA should weigh heavily in its final determination regarding which DAM to enter, many of the arguments BPA relies on to justify its selection of Markets+ are misguided. According to

³² DAM Draft Policy at 6.

³³ Note: There are also questions as to the effectiveness and completeness of BPA's participation in the WEIM. See joint RNW-NIPPC comments on BPA's September 25 and 26, 2024, BP/TC-26 Workshop which discusses BPA barriers to taking full advantage of WEIM participation at <https://www.bpa.gov/-/media/Aep/rates-tariff/bp-26/Sept--25-26-Workshop/Customer-Comments/RNWNIPPC-Comments-on-BP26-Sept-Workshop-100924.pdf>.

BPA, “[r]isks arise from market governance that retains authority for a single state, entity, or customer class.”³⁴ BPA argues that the governance model of Markets+ is favorable, in part, because it finds EDAM’s governance to be captured by the State of California. According to BPA:

[t]he Governor of California’s selection of the CAISO Board of Governors risks undue influence of a single state over EDAM. In addition, California law establishing authority for the CAISO Board of Governors requires it to act in the interests of the people of California. *These flaws require mitigation that is currently only proposed.*³⁵

However, when BPA joined the WEIM in 2019, the agency concluded that:

[t]he current governance structure of the EIM does not present a barrier to Bonneville’s participation in the EIM. However, Bonneville believes that the structure can be improved. The CAISO has initiated a public stakeholder process to review the EIM governance structure. Bonneville is actively participating in this process and will continue to advocate for a more diverse, independent, and durable EIM governance structure. Moreover, Bonneville will evaluate any future EIM governance proposals to ensure they accommodate Bonneville’s status as a federal power marketing administration and do not interfere with its ability to perform its statutory and contractual obligations.³⁶

At the time, there were ongoing conversations around governance of which BPA was an active participant, and the agency made a determination that the governance structure was not in conflict with their ability to provide service under their statutes. The “flaws” which BPA cites today as the reason they need to leave the EIM and join Markets+ are currently being considered by the California Legislature. The proposed mitigation BPA alludes to is SB 540—a bill introduced on February 20 by California Senators Becker and Stern.³⁷ Among other things, SB 540 will enable the transfer of EDAM’s governance to a fully independent Regional Organization (“RO”) that will have a “durable, effective, and independent governance structure [that] provides fair representation to all market participants and stakeholders.”³⁸ Further, the West-Wide Governance Pathways Initiative (“Pathways”) to examine and alter EDAM’s governance structure was initiated through a letter from multiple individual state commissioners to the leadership of the Western Interstate Energy Board (“WIEB”) and the Committee on Regional Electric Power Cooperation (“CREPC”) in July 2023.³⁹ Pathways is an effort led by a

³⁴ DAM Draft Policy at 13.

³⁵ *Id.* at 39.

³⁶ BPA Record of Decision for joining the Energy Imbalance Market. <https://www.bpa.gov/-/media/Aep/projects/energy-imbalance-market/rod-20190926-energy-imbalance-market-policy.pdf>.

³⁷ https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202520260SB540.

³⁸ Letter to Administrator Hairston from IBEW 125, IBEW 483, IBEW 77, Seattle City Light, PacifiCorp, and PGE (Mar. 3, 2025) available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/03032025-letter-to-bpa-from-ibew-pge-pac-and-scl.pdf>.

³⁹ <https://www.westernenergyboard.org/wwgpi/>.

group of stakeholders from the eleven Western states in the Western Interconnection and features input from a wide range of affected stakeholders throughout the region.⁴⁰

Pathways represents an open and collaborative process that does not require membership or fees to participate in. The fully independent RO that will govern EDAM is an independent nonprofit organization with a mandate to focus on regional benefits. Although the WEIM's governance structure was indeed initially largely controlled by California as BPA notes, once SB 540 becomes law this October—which it likely will—EDAM's governance structure will be truly independent. Additionally, the power in EDAM's governance structure is shared amongst a diverse group of stakeholders and state officials, and governance decisions are made in open meetings. In RNW's view, Pathways and the EDAM governance structure will be truly independent and represent a collaborative approach to advancing regional solutions to regional issues.

Conversely, Markets+ is owned and operated by SPP, a 501(c)(6) business trade association headquartered in Little Rock, Arkansas. While regional stakeholders can serve on various committees and provide proposals and advice to the SPP Board of Directors, the Board retains ultimate authority, and Section 205 filing rights, over all decisions. Voting power for participating utilities in this model is given in proportion to their total load share, which can stifle collaborative decision-making and enable a select few entities to yield outsized market control.

Despite these differences—and despite the fact that the governance structure of both DAMs has unresolved elements—BPA has concluded that the Markets+ decision development and stakeholder engagement process is the best approach to ensure a fair and equitable market.⁴¹ BPA does not discuss what EDAM's governance will look like should SB 540 be signed into law. BPA simply acknowledges that “the legislation as drafted *may* not meet Bonneville's governance requirement.”⁴² With a decision this large that significantly impacts BPA's customers and the region, “may” is simply not good enough.

In the Final ROD, RNW requests that BPA address the following:

- Please explain BPA's reluctance to support EDAM's governance structure because SB 540 demonstrates “California's continued policy influence over market design and outcomes”⁴³ in light of the fact that the SPP Board of Directors retains ultimate authority over all decisions in Markets+
- Please confirm that fairness is a key principle of stakeholding and of governance that BPA supports. If so, please explain how Markets+'s stakeholding model, where voting weightage is based on total load share, represents greater fairness than in EDAM.

⁴⁰ <https://www.westernenergyboard.org/wp-content/uploads/Pathways-FAQ-02.02.2024.docx.pdf>.

⁴¹ DAM Draft Policy at 41.

⁴² *Id.* at 42.

⁴³ *Id.*

- Please explain how BPA’s decision to move forward with Markets+ while outstanding governance issues remain regarding both DAMs meets its previously discussed statutory obligations to its customers and the region.
- Please explain why the WEIM governance, which BPA deemed adequate in 2019, is now considered inadequate. Additionally, why did BPA feel comfortable joining the EIM and committing to collaborative improvements, yet now—despite having ample opportunity to influence the current governance proposal through the Pathways Initiative and with a pending decision by the California Legislature to address BPA’s concerns—the agency believes the only viable option is to move forward with a decision to join a different market at this time?

ii. Market depth and other unresolved issues

The overall number of market participants—and therefore, the governance, total economic benefits, and overall resource mix, among other issues—remains uncertain in both Markets+ and EDAM. Entering into a DAM with significant uncertainty regarding the overall benefits and structure creates significant risk for BPA, and, therefore, the customers and the region to which BPA owes its statutory obligations. As discussed, under its proposal, BPA would not formally join Markets+ until 2028, so sufficient time remains for BPA to continue engaging in discussions around market design while the footprint and structure of both DAMs comes into focus.

In terms of the impacts of overall market footprint, BPA argues, and RNW agrees, that participation in a DAM will enable better access to loads and resources across a wider footprint.⁴⁴ However, the benefits that accrue from the better access to loads and resources is dependent on a number of factors that remain unclear. A larger market will have greater load and resource sharing, which will result in efficiencies for market participants in terms of resource adequacy, reserves sharing, and benefitting from the diverse loads and resources a larger market footprint provides. At present, Markets+ has far fewer market participants than EDAM, although that may be subject to change. In order to maximize the benefits it can accrue from DAM participation, BPA should pause its process to allow market depth to mature. It doesn’t need to wait the eight years it took to join the WEIM, but it should not be nearly as quick as the timeline envisioned in the DAM Draft Policy—entering into a market that will not even be operational for another three full years. There is a middle ground between the two that will serve to maximize the benefits and minimize the risks for BPA, its customers, and the region.

For its part, BPA acknowledges that many other unresolved market dynamics remain that call into question whether it is prudent to move forward with Markets+ at this time. According to BPA:

[s]everal market design issues described above, such as congestion revenue allocation, GHG accounting, and fast start pricing cannot be decisively quantified, BPA believes the

⁴⁴ *Id.* at 7.

Markets+ design is *likely* to provide economic benefit and partially offset the financial benefits attributed to EDAM by the PCM studies.⁴⁵

For a decision of this magnitude, “likely” simply isn’t good enough. If BPA cannot say conclusively that entering into Markets+ at this incredibly early stage is not empirically the best decision for its customers and the region, then there is no reason for it to act now while significant uncertainties and questions about both DAMs remain. The administrative record in this process conclusively demonstrates this is the case. Further, as these comments will discuss, the economic case to enter into Markets+ at this time is nonexistent.

C. Effects of Fragmentation

In 2019, the state of Utah, in partnership with the State Energy Offices of Idaho, Colorado, and Montana, applied for and received a grant from the U.S. Department of Energy to facilitate a two-year, state-led assessment of organized market options. Study participants—including energy offices from 11 states, coordinated by the Western Interstate Electricity Board—evaluated the benefits of different market footprints across the West. The results of this study, and every subsequent market study published in the West, are consistent: the most beneficial outcome of market configuration is the largest possible footprint with the fewest number of market seams.⁴⁶

Despite ample evidence that a single footprint market with greater geographic and resource diversity is far superior, BPA’s decision articulated in the DAM Draft Policy would fragment the Western Interconnection into two smaller markets—greatly diminishing the benefits for BPA and other market participants and abdicating its statutory responsibilities to the region. According to Oregon Governor Tina Kotek, “[f]ragmentation will drive unnecessary costs, create new reliability risks, and prevent fully utilizing the resources that customers across the region have paid for.”⁴⁷

Governor Kotek’s analysis is spot on. A decision to move forward with Markets+ at this premature stage will cement all of these concerns and set us on a course that will bifurcate the region and greatly diminish benefits. While BPA’s selective analysis artificially indicates that its proposed direction is superior, the unbiased work of consultants, state agencies, and various parties to this process demonstrates obvious flaws in BPA’s logic. Not only is a decision to move forward with Markets+ at this time demonstrably inferior from an economic benefits perspective, it will create costly seams issues that will be difficult to resolve and will erode the reliability benefits that can be achieved through a broader market.

Further, BPA notes that the economic analysis it relies upon is fundamentally incomplete at this premature stage, nothing that:

⁴⁵ *Id.* at 54 emphasis added.

⁴⁶

<https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/6148a012aa210300cbc4b863/1632149526416/Final+Roadmap+-+Technical+Report+210730.pdf>.

⁴⁷ Kotek, Tina, Bonneville Power Administration’s Day-Ahead Market Participation Evaluation (Mar. 28, 2024) available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/oregon-governor-kotek-032824-governor-kotek-letter-to-bpa-administrator-hairston.pdf>.

Bonneville is unable to forecast the financial impact around rates, products, and the volatility for any option prior to issuing its day-ahead market policy direction. This is because the specifics needed to conduct financial analysis, such as final market design, footprint, seams agreements, etc. are not yet known. Inventory and market price risk represent key drivers of overall financial risk to Bonneville, which exist in both bilateral and organized markets.⁴⁸

Under BPA's own judgment, the economic justification it relies upon is inherently inaccurate due to its premature nature. RNW submits that this represents additional justification for BPA to pause and take its time during this important process.

a. Economic Considerations

BPA relies heavily on the results of the Western Markets Exploratory Group ("WMEG") cost/benefit study and subsequent analyses conducted by Energy and Environmental Economics ("E3") to justify its decision. However, the WMEG study has been widely criticized for its notable flaws,⁴⁹ and the study itself fails to stand for the proposition BPA uses it for. Further, BPA has consistently ignored various regional and other economic analyses advanced by state government agencies to this process that highlight obvious deficiencies in BPA's economic analysis. Failing to address these analyses and to incorporate them into BPA's decision-making places significant risk on its customers and the region.

Generally speaking, a market requires an adequate footprint and connectivity to allow it to be optimized across a broad and interconnected geographic region. Indeed, markets will not function if there is not adequate footprint and connectivity. Bifurcating the region will significantly diminish the benefits of a DAM. The analysis brings this to bear—benefits in the West-wide EDAM scenario of the WMEG study exceed the benefits anticipated from the widest Markets+ scenario by \$105.9 million annually—more than 3.5 times greater than the total anticipated benefit of Markets+.⁵⁰ The WMEG study also found that both EDAM scenarios modeled would result in a more favorable outcome than any of the Markets+ scenarios. The WMEG results conclusively indicate that BPA would benefit the most from a single market that maximizes BPA's interconnection with a footprint of diverse loads and resources that includes California. BPA has yet to offer compelling justification for its decision to choose Markets+ at this stage when its own analysis indicates greater benefits from either business-as-usual ("BAU") or joining a single, larger market.

It is especially noteworthy that BPA summarized its production cost modeling results in a November 2024 workshop as showing more cost savings (i.e. benefits) for BPA customers in EDAM. In the EDAM bookend scenario presented compared to a two-market scenario, BPA showed greater benefits (\$65 to \$221 million per year) to BPA customers when the agency joins

⁴⁸ DAM Draft Policy at 33.

⁴⁹ See, e.g., <https://www.utilitydive.com/news/puc-western-markets-exploratory-group-wmeg-study-rto-day-ahead/706816/>.

⁵⁰ Seattle City Light Response to PPC Support for BPA's Proposed Timeline and Continued Pursuit of Markets+ Participation Letter (Mar. 6, 2024) available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20240306-seattle-city-light.pdf#:~:text=BPA's%20benefits%20in%20the%20West%2Dwide%20EDAM%20scenario,most%20from%20a%20single%20market%20that%20maximizes.>

EDAM.⁵¹ While BPA only provided a summary of benefit calculations for 2026 in its November 2024 workshop, regional state agencies conducted analysis using BPA's figures out to 2030 and 2035 since long-term outcomes are important in this type of decision-making process. The state agencies note that:

[e]xtending the comparison that BPA started above out to 2030 and 2035, the data show continued benefits to BPA customers when BPA joins EDAM. In 2030 and 2035, the annual benefits favor BPA joining EDAM by \$215 million and \$175 million, respectively. Employing the same comparison for the regional data, the Pacific Northwest would see between \$232 to \$360 million greater benefits in 2026 if BPA were to join EDAM compared to Markets+ in 2026. In 2030 and 2035, the regional results show annual benefits to the region of \$296 million and \$151 million, respectively.⁵²

Similarly, the initial WMEG study found that BPA's net annual costs in the larger footprint in the EDAM Market are \$29 million lower for the agency than in the smaller footprint in Markets+. ⁵³ These results demonstrate the importance of BPA delaying the decision to enter into a DAM until more is known about overall participation in the respective markets. These figures demonstrate benefits that would flow from a single-market scenario that RNW acknowledges is likely not feasible. However, the state agencies' analysis underscores the widely accepted position that a larger market with greater resource and geographical diversity will increase benefits for market participants. To fulfill its statutory obligation to the region that is contained in its organizational vision,⁵⁴ BPA should conduct an assessment of the various DAMs after more is known about the depth of market participants and the expected benefits from each. Making a decision now based on anticipated forecasts of market depth is highly speculative and places significant risk on BPA's customers and the region.

Given the speculative nature of the various future scenarios BPA relies on to justify its decision, it warrants revisiting whether departure from the BAU case analyzed in the WMEG study is warranted. While the "BAU does not represent a realistic future scenario"⁵⁵ because it assumes widespread bilateral trading across the Western Interconnection, it is noteworthy that BPA has achieved substantial benefits as a result of participating in the WEIM. Indeed, both the initial WMEG study and the update found that the BAU case where BPA remains in the WEIM without joining a DAM is better economically than joining Markets+ at this time.⁵⁶

⁵¹ State Agency Comments on Bonneville Power Administration's Day-Ahead Market November 2024 Workshop at 4 (Dec. 23, 2024) citing BPA's November 4, 2024, DAM workshop presentation, slide 30: <https://www.bpa.gov/-/media/Aep/projects/dayahead-market/2024/dam-workshop-9-presentation-110424.pdf> available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/or-wa-state-agency-comments-november-4-workshop-final-2-23-2024.pdf>.

⁵² State Agency Comments on Bonneville Power Administration's Day-Ahead Market November 2024 Workshop at 4 (Dec. 23, 2024) available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/or-wa-state-agency-comments-november-4-workshop-final-2-23-2024.pdf>.

⁵³

http://www.oasis.oati.com/woa/docs/NEVP/NEVPdocs/3_E3_WMEG_Western_Day_Ahead_Market_Production_Cost_Impact_Study_-_Final.pdf.

⁵⁴ BPA, Mission, Vision, Values (2025), available at <https://www.bpa.gov/about/who-we-are/mission-vision-values> (Listing "[a]ccountability to the region" in BPA's Vision).

⁵⁵ DAM Draft Policy at 23.

⁵⁶ Seattle City Light Comments re: BPA Day-Ahead Market Participation Workshop #9 at 3 (Dec. 13, 2024) available at [https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20241213-scl-comments-dam-participation-workshop-9.pdf#:~:text=BPA%20would%20achieve%20\\$79%2D\\$129%20million%20in%20greater,a%20net%20be](https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20241213-scl-comments-dam-participation-workshop-9.pdf#:~:text=BPA%20would%20achieve%20$79%2D$129%20million%20in%20greater,a%20net%20be)

While market benefits will undoubtedly be driven by the depth and overall footprint, the presence and details of market seams and their attendant seam agreements will play a significant role in the determination of overall market benefits. It is well-understood that market benefits arising from a bifurcated region will be diminished by the presence of seams. While BPA has conducted preliminary and high-level seams analyses, it is unlikely that seams will be resolved effectively or efficiently, leading to cost and risk to BPA's customers and the region. Even Eastern markets that have been operating for decades took many years to establish seams agreements for market-to-market transactions and still lack adequate solutions that minimize risk and maximize trading opportunities. Notably, these challenges arise despite carefully crafted seams agreements.⁵⁷

BPA cites congestion revenue design as an element in favor of joining Markets+.⁵⁸ However, the treatment of congestion revenue has the potential to be offset by the presence of market seams, the particulars of which will have to be negotiated as part of complex seams agreements. Congestion management costs are paid by customers in the market experiencing the congestion, even when congestion is caused from a neighboring market.⁵⁹ The benefits of congestion revenue design that BPA relies heavily on may not come to fruition, depending on the particulars of seams agreements that govern the financial relationship between two markets in a bifurcated system.

Of note, the Pacific Northwest is particularly sensitive to the development of new seams as the region undergoes a rapid resource transition, experiences rapid load growth, and extreme weather continues to stress markets.⁶⁰ Market seams are a regional problem that require a holistic regional solution, and the best option for the region is to avoid the creation of seams in the first place since solutions to mitigate seams are highly complex and time consuming. For its part, BPA acknowledged that improving seams coordination is a complex challenge that would require substantial time and effort to resolve, if it is even possible.⁶¹

The time, effort, and end result of new market-to-market seams will result in decreased reliability and economic harm to customers, economic harm to resource developers and operators, degradation to transmission usage and efficiency, and decreased benefits compared to what would otherwise arise from a robust and contiguous market footprint.

[nefit%20to%20BPA%20over%20EDAM](#) ("These results make clear that the only remaining potential Markets+ footprint, which is smaller, less diverse, and more disconnected than other scenarios analyzed, results in worse outcomes for BPA than EDAM or WEIM only.").

⁵⁷ Seattle City Light Response to PPC Support for BPA's Proposed Timeline and Continued Pursuit of Markets+ Participation Letter (Mar. 6, 2024) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20240306-seattle-city-light.pdf#:~:text=BPA's%20benefits%20in%20the%20West%2Dwide%20EDAM%20scenario,m%20a%20single%20market%20that%20maximizes>.

⁵⁸ DAM Draft Policy at 2.

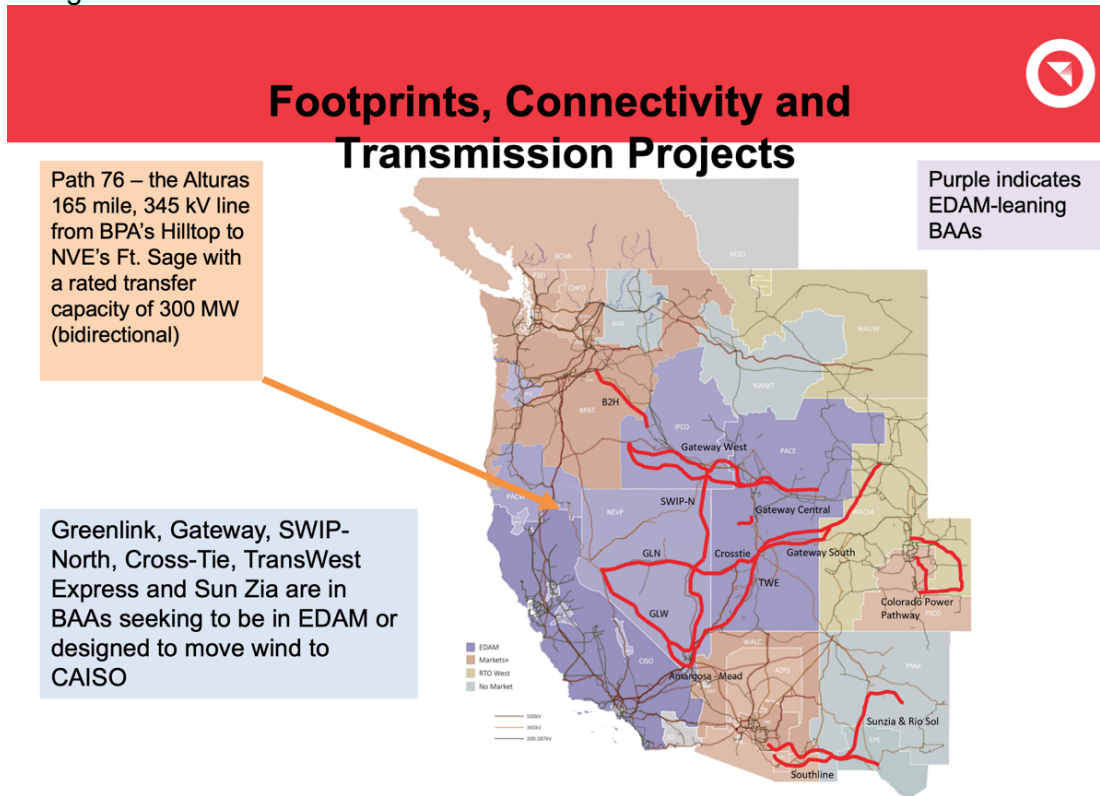
⁵⁹ Market Configuration Matters: Effects of Market Choices on Consumers in the Northwest US at 10 (June 2024) *available at* <https://gridstrategiesllc.com/wp-content/uploads/Market-Configuration-Matters-June-2024.pdf>.

⁶⁰ *Id.* at 1.

⁶¹ BPA's Public Engagement for Establishing a Policy Direction on Potential Day-Ahead Market (DAM) Participation - Workshop 10 (Jan. 29-30, 2025) *available at* <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2025/dam-workshop-10-presentation-20250129.pdf>.

As can be seen in Figure 1 below, there is limited transmission connectivity between BPA's balancing authority area ("BAA") in the Pacific Northwest and the desert southwest. Any transmission from BPA's BAA will necessarily have to flow through multiple BAAs that are currently leaning towards entering EDAM. BPA has not clearly articulated how its system will connect with Markets+, nor has it discussed the economic and reliability implications of entering into a geographically distant and disconnected market.

Figure 1.



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As the next section will discuss, in addition to detrimental economic impacts, the presence of market seams with a distant and disconnected market will also create negative reliability implications for BPA's customers and the region.

Regarding the economic impacts of the proposed decision, RNW respectfully requests that BPA address the following in its Final ROD:

- Why does BPA feel the urgency to move away from BAU if it cannot point to any near-term harm from that position?
- How will moving to a smaller footprint market with fewer resources and less diverse utility trading partners impact BPA customers?

⁶² NV Energy Presentation available at <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fenergy.nv.gov%2FuploadedFiles%2Fenergyngov%2Fcontent%2FPrograms%2FTaskForces%2FNV%2520Energy.pptx&wdOrigin=BROWS ELINK>.

- How is BPA considering regional impacts resulting from its decision? Please give a narrative explanation and explain how its decision meets its statutory regional obligations.
- How will seams impact the economic analysis BPA uses to justify its decision?
- If BPA is a pivotal supplier that can potentially harm other market participants, how will that impact the region?
- Why is it prudent to move forward without a better understanding of how market seams and overall market footprint will affect economic benefits?
- Why didn't BPA incorporate regional benefits into its economic analysis despite repeated calls from state agencies and regional stakeholders to do so?
- Please explain how entering into a geographically distant and disconnected market as seen in Figure 1 will impact BPA from a cost and reliability perspective. How does BPA plan to move energy from its BAA to the desert southwest through multiple BAAs that are currently leaning towards EDAM? What will the impacts of the agreements to move through EDAM BAAs be?
- Please explain the final impact that BPA's decision will impact transmission customers and ultimately ratepayers of the region's utility customers.

b. Reliability

RNW appreciates that BPA has included reliability in its evaluation principles; however, it is deeply concerning that reliability is not one of the main justifications for Bonneville's Markets+ preference, apart from a uniform resource adequacy program. As it states:

[a]fter evaluating both day-ahead markets, Bonneville has determined that participation in Markets+ will provide value to customers based on its overall market design features, including an independent governance model, uniform resource adequacy (RA) requirements, superior GHG design, and congestion revenue (CR) design that incentivizes transmission investments.⁶³

While we agree a robust RA program is important, there are broader reliability considerations that RNW sees lacking in BPA's assessment. This gap has broad-reaching implications for BPA customers and the region.

In Section 4.1, BPA has included two evaluation principles for reliability in its decision process, that:

- (1) Bonneville maintains efficient, economical, and reliable delivery of power and transmission service to its customers; and that
- (2) Market design includes resource sufficiency and/or resource adequacy frameworks that ensure reliability.

RNW appreciates that BPA has these aspects listed separately for discussion and analysis.

In Section 4.1.2, regarding reliability principle (1), Bonneville notes that "participating in a day-ahead market will provide Bonneville opportunities to support or improve reliability due to

⁶³ DAM Draft Policy at 2.

system optimization and geographic diversity benefits.”⁶⁴ RNW agrees that a day-ahead market can provide reliability enhancements through system optimization and geographic diversity, but cautions that this deserves further scrutiny. Regarding geographic diversity, the footprint of the DAMs has evolved throughout the workshop process, and it is not clear which geographic footprint BPA is specifically identifying to support its leaning towards Markets+. It is the understanding of RNW that a larger geographic footprint of a market provides greater access to a diversity of resources, which would not necessarily be the case with the current Markets+ footprint.

Equally, the ability to maintain reliable transmission is not clearly described in Bonneville’s current analysis. RNW acknowledges there are remaining questions on this which will be revealed or understood more granularly during implementation. However, it is prudent to have a fulsome understanding - before this undertaking - of the potential impacts to transmission reliability in the region given that BPA provides 75-80% of the region’s transmission capacity.

RNW agrees with Bonneville that “a day-ahead market should address long-term Resource Adequacy (RA) as well as short-term resource sufficiency” and supports the inclusion of its reliability principle (2) and discussion in Section 4.1.3. RNW also supports the use of WRAP as the RA program of choice for participation in Markets+. However, an area that has been difficult to assess in the workshop process is how Bonneville is factoring in the impact of seams on reliability - both to Bonneville power and transmission customers, and to the region.

RNW has consistently raised our serious concerns around the potential impacts of seams on the region.⁶⁵ The potential of having two markets operating on a single transmission system - BPA’s, in this case - deserves enhanced scrutiny given the reliability implications for the entire region. The BPA transmission system backbone undergirds the region’s ability to meet loads during peak load events. This is both in terms of moving electricity within BPA’s footprint and the Northwest, and connecting to broader markets to access diverse resources in times of constrained supply. As BPA controls a significant portion of the interties to other geographic regions, scrutiny of how this will impact non-Markets+ participants in the case that BPA joins Markets+ is essential. Given that there is no central regulating or coordinating body for the region’s transmission, it is unclear how transmission space and reliability will be “governed” in a potential two-market future.

The lack of oversight on transmission capacity that will accommodate existing transmission rights, space for two different markets to operate efficiently, and the increasing uncertainties around reliability in the region (due to load growth and increased frequency of extreme weather events) raises serious concerns on how these operations and interactions between markets will be managed. Additionally, the limited transmission system footprint that would result from a smaller market footprint also raises concerns on impacts to reliability with less access to diverse resources and reduced market depth. This has implications for BPA’s customers and the region.

We acknowledge this is a difficult issue to address until seams agreements are created, however, there are broader implications that are beyond the “nitty gritty” of these seams agreements, which BPA directly spoke to at its January 2025 DAM workshop, that help dictate the day-to-day operations - such as how this could jeopardize the region’s reliability in peak events. Indeed, the reliability benefit of the WEIM in these situations will no longer be an option

⁶⁴ DAM Draft Policy at 13.

⁶⁵ [RNW April 2024 comments to FERC on SPP’s Markets+ Tariff Filing.](#)

in a two-market future. RNW would like to understand how Bonneville proposes to regain those reliability benefits once it exits the WEIM in order to join Markets+.

RNW is concerned about how BPA has or has not considered the impacts to the region in its analysis and contemplation of reliability. It is clear from the discussion of the E3 study that the cost impacts Bonneville has considered are limited to its own customers and does not extend to look at potential cost pressures to the broader region. This raises the question of if this lack of scrutiny around regional impacts extends to reliability concerns. It is noteworthy that Bonneville does not list reliability as a justification for its Markets+ preference.⁶⁶

Bonneville should address the following in its future analysis and communications with the region in its Final ROD:

- Please explain Bonneville's analysis and rationale to consider the Markets+ footprint to be providing sufficient geographic diversity of resources to maintain reliability for power and transmission customers.
- Please show Bonneville's analysis which shows that Markets+ provides system optimization that makes it the preferred market for Bonneville.
- How has Bonneville considered the impacts to transmission reliability in the region for both point-to-point and network transmission customers? Has Bonneville quantified the potential impact to hurdle rates for its system for non-Markets+ customers and how this might impact the region's ratepayers? Please provide Bonneville's analysis of these items.
- How has Bonneville quantified the potential impact of a reduced transmission "reach" from a smaller market footprint on its ability to access a diverse set of resources to meet reliability requirements for its customers? Please detail this analysis and explain how this supports or does not support fulfilling Bonneville's statutory requirements.
- Please discuss how Bonneville has considered the impacts of operating multiple markets while maintaining contract paths on its transmission system and how it plans to do this. Does Bonneville plan to offer transparency on these operations to prevent potential market manipulation through transmission (non)offerings?
- How will Bonneville specifically regain the reliability benefits of the WEIM should it join Markets+ for Bonneville customers? For the region?

D. Funding

SPP published its Markets+ draft Funding Agreement for Phase 2 with FERC on February 21, 2025.⁶⁷ This submission requested expedited action and shortened comment period for review. SPP stated that the Funding Participants—of which BPA is one—"worked collaboratively and freely with SPP to negotiate the terms of the Agreement over a period of several months." However, prior to this publication, BPA had not made clear in its stakeholder process the terms and conditions of this agreement. Regardless, BPA proceeded with making a financial commitment on SPP's rushed deadline of 10 business days from the provision of the draft financial agreement to the funding participants.

⁶⁶ DAM Draft Policy at 2.

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https://www.spp.org/documents/73326/20250221_spp%20markets%20plus%20phase%202%20funding%20agreement_er25-1372-000.pdf.

Apart from these process concerns, the structure of the financial agreement is such that BPA should not use this as justification to keep pursuing Markets+ participation. As stated in SPP's funding agreement it clearly states that the "Agreement is to enable SPP to begin the next phase [of Markets+ development]" which is derived from Funding Participant collateral, Markets+ generated funds, and sharing of overhead expenses (with SPP RTO). SPP goes on to explain that the financing provided via collateral from the Funding Participants will be repaid after Go-live, releasing the collateral provided.

Based on the funding terms published by SPP, BPA's Phase 2 funding obligation (of approximately \$40 million) is committed to SPP regardless of BPA's final participation in Markets+ after Go-live. Meaning, because BPA has committed to fund Phase 2 of Markets+, there is no material financial implication for BPA should it decide to delay entry into a DAM - at least in terms of the amount committed to SPP Markets+, which does not capture the full cost to BPA for implementing and joining a new DAM. Regardless of BPA's decision, it has committed to pay that amount to SPP for Markets+ Phase 2.

In BPA's ROD, it should clearly address the following related to funding of Markets+:

- Can BPA explain its rationale for lack of public process for obligating funds to Phase 2 of Markets+?
- Can BPA please explain how it intends to recover the costs associated with funding Markets+ and the subsequent operational costs implementation of the market will require?
- Does BPA agree that its funding agreement for Phase 2 does not obligate BPA to join Markets+? Please explain.
- Please discuss the overhead costs associated with joining Markets+. For example, has BPA considered the additional staff time, hardware and software costs, and further public process to implement joining Markets+ and leaving the WEIM in its financial calculations?
- How does moving forward with funding Markets+ with customer dollars without Due Process encourage public participation in the formulation of regional power policies as required by the Northwest Power Act?

E. Environmental and Cultural Impacts

It is troubling that BPA is moving forward with the decision in its DAM Draft Policy without determining whether it affects its obligations under the National Environmental Policy Act ("NEPA"). BPA's DAM Draft Policy states:

[c]onsistent with NEPA, 42 U.S.C. § 4321 et seq., Bonneville is in the process of assessing the potential environmental effects that could result from the proposed participation in a day-ahead market. Bonneville believes this proposal appears to be the type of action typically excluded from further NEPA review pursuant to U.S. Department of Energy NEPA regulations, which apply to Bonneville. However, Bonneville will consider all public comments concerning NEPA compliance and/or potential environmental effects of the proposal that Bonneville received during the public discussions for this proposal.

However, NEPA requires that federal agencies assess the impacts of their actions, *prior* to making any decisions. While BPA does receive a categorical exclusion from NEPA review for

some actions—such as “information gathering activities and property transfers when the land use is unchanged”⁶⁸—BPA makes no attempt to justify why this decision may be excluded. Since the decision to join a new DAM will fundamentally change how the electricity market operates in the region, there are likely to be environmental impacts. It is insufficient for BPA to “believe” that this “type of action is typically excluded from further NEPA review.” Before making this decision, BPA must analyze its impacts.

RNW Respectfully asks BPA to provide answers to the following questions regarding environmental impacts in the Final ROD:

- Please provide an Environmental Impact Statement listing out the potential environmental impacts associated with leaving the EIM and joining Markets+. Specifically, RNW requests that the agency address the following potential impacts:
 - How will BPA’s resource mix change by participation in Markets+?
 - What NEPA categorical exclusion does BPA feel this decision falls under.
 - How will BPA’s transmission system change when it enters into Markets+? Will it require additional transmission across federal land?
 - What are the potential impacts to low-income ratepayers and environmental justice communities related to the addition of new market seams?

Additionally, Section 106 of the National Historic Preservation Act of 1966 (“NHPA”) requires federal agencies to consider the effects on historic properties of projects they carry out, assist, fund, permit, license, or approve throughout the country. BPA did not include an analysis in their draft decision regarding review of impacts to historic properties. Neither did the agency disclose any active or planned tribal consultation.

RNW Respectfully asks BPA to provide answers to the following questions regarding environmental impacts in the Final ROD:

- Please provide evidence of analysis of impacts to historic properties.
- Please provide evidence that the statutorily required outreach to tribes under Section 106 of NHPA has been conducted.

III. CONCLUSION

As noted by Oregon Governor Tina Kotek, BPA’s decision will have “generational impacts”⁶⁹ that will profoundly alter energy policy throughout the Western Interconnection. If BPA moves forward with the decision articulated in the DAM Draft Policy, it will set the region on an irreversible course that will significantly alter the energy landscape in the west. The DAM Draft Policy represents an incomplete view to justify a monumental decision. In order to meet its statutory obligations, BPA must take the time to fully analyze and articulate the impacts to the region and to its transmission customers. A failure to do so would run counter to its core values, including trustworthy stewardship and collaborative relationships. For the reasons articulated herein, RNW respectfully requests that BPA delay its decision to join a DAM for a period of at least nine months to allow for questions regarding the respective DAM offerings and workforce

⁶⁸ <https://www.bpa.gov/learn-and-participate/public-involvement-decisions/laws-and-requirements>.

⁶⁹ Kotek, Tina, Bonneville Power Administration’s Day-Ahead Market Participation Evaluation (Mar. 28, 2024) available at <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/oregon-governor-kotek-032824-governor-kotek-letter-to-bpa-administrator-hairston.pdf>.

issues to be more fully resolved. BPA's May 2025 Final ROD should indicate a clear intent to join a DAM in the general sense but explicitly recognize that further investigation on the issue is warranted before a specific DAM is chosen.

Dated this 7th day of April, 2025.

Respectfully submitted,

/s/ Mike Goetz

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