

COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP REGARDING ENERGY IMBALANCE MARKET IMPLEMENTATION

The utilities comprising the Western Public Agencies Group (WPAG) appreciate this opportunity to submit the following comments regarding various issues raised during the Bonneville Power Administration's (BPA) Western Energy Imbalance Market (EIM) Implementation Workshop on March 16, 2021.

EIM Customer Impact Summary

BPA appears to intend the Customer Impact Summary as a guide to discussions and to educate customers on the status of key issues associated with EIM implementation. It has the early makings of a very helpful “parking lot” type document. BPA communicated that it is a fluid document that should reflect the customer impacts of BPA joining the EIM. Additional customer impacts topics arose during the March 16th workshop not currently identified in the summary. We recommend that BPA continuously update the Customer Impact Summary to include new topics as they arise. This will help ensure that both BPA and its customers do not lose sight of any impact to customers as we progress through the implementation workshops and new issues are discussed. For example, BPA introduced a new customer impact topic of greenhouse gas (GHG) impacts to its customers due to the EIM and also introduced the new customer impact topic of Phase V processes prior to EIM adoption. WPAG believes that BPA should add both topics to the Customer Impacts to the summary.

Greenhouse Gas (GHG)

The California Independent System Operator's (CAISO) *California First* governance model continues to present challenges. This was highlighted in the recent presentation on GHG accounting in the EIM, which demonstrated that CAISO uses a “game of cups” to theatrically reduce the carbon content attributable to energy used to serve California load by artificially boosting the carbon content assigned to energy used to serve non-California load—all without exchanging one electron between the CAISO and other EIM participating balancing authority areas. The California first approach to GHG accounting under the EIM is not sustainable over the long-term and will come into increasing conflict with the needs of BPA's cooperative and public body customers to retain the full breadth of the low-carbon benefits of BPA's power to meet their own carbon obligations under state law. These new obligations breathe renewed life into the value proposition of preference to BPA's power, which we view as a fully bundled first in right entitlement to the energy, capacity, and environmental attributes of the Federal Columbia River Power System (FCRPS). BPA and its preference customers should jealously guard this enhanced value as it will be an important element of the long-term contracts and retention of customers in 2028.

Although BPA appears to conclude that the CAISO GHG accounting methodology in the EIM will have minimal impacts on the carbon content of BPA's power, the fact that the CAISO may exercise a right under the EIM to skim the top of the environmental benefits of the FCRPS is a cause for deep concern—at least from a precedential standpoint if for no other reason. We recommend that BPA work expeditiously with other EIM parties to amend GHG accounting in the EIM to ensure

that BPA’s participation (i) is consistent with the above rights and obligations and (ii) does not undermine or degrade the low-carbon attributes of the power BPA’s customers will want and need to meet their post-2028 carbon related obligations and goals.

EIM Implementation Phase V

WPAG shares the concerns of other BPA customers and customer groups that BPA’s proposal to allow only 19 days to review and comment on the draft Phase V close out letter leaves much to be desired. The proposed rushed review period for the draft close out letter feels out of step with the deliberate—three plus year—process that BPA has used to date in its evaluation of whether to join the EIM, particularly for such a monumental decision that will have long lasting impacts to the region.

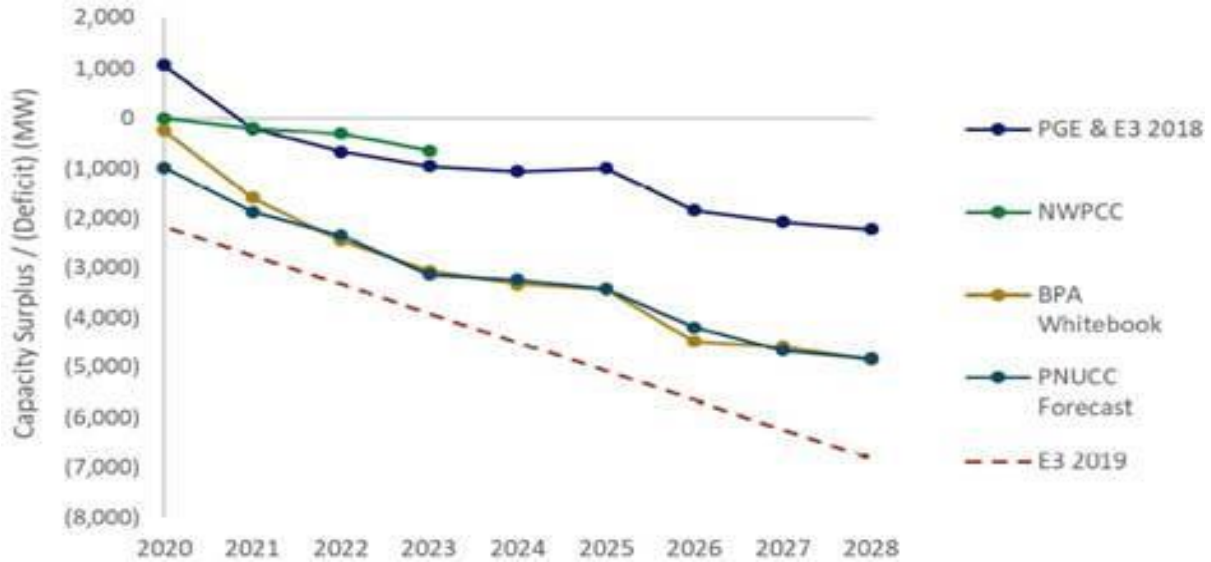
Although BPA has recognized that it cannot provide a recommendation and draft close out letter without revisiting the E3 cost/benefit study, it indicated that it would not conduct a new study unless and until it is demonstrated that key inputs have changed. Among the key inputs BPA will consider are “market fundamentals.” WPAG believes that at least two key market fundamentals have changed since the spring of 2019 when E3 completed the original study that now justify a new study:

1. GHG and Renewable legislation
2. Resource Adequacy

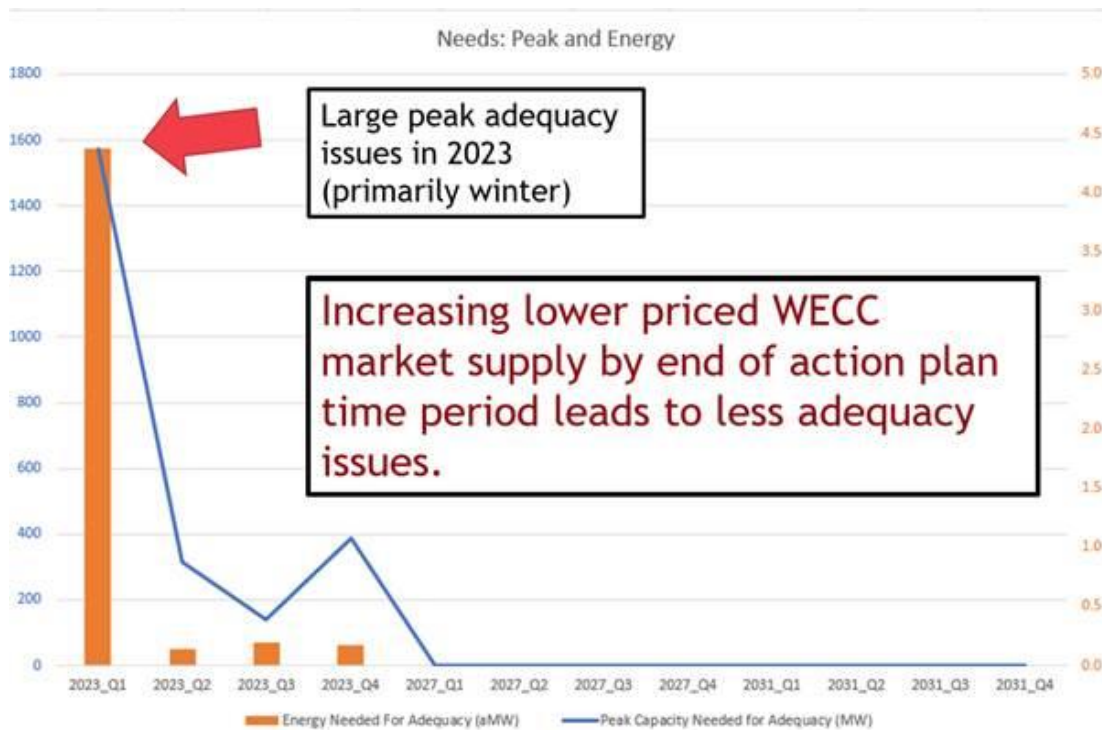
GHG and Renewable targets and supporting legislation have increased sharply in the Pacific Northwest since the original E3 study. At the time of the study, Washington had not yet passed the Clean Energy Transformation Act (“CETA”), which requires the state’s utilities to be carbon neutral by 2030 and carbon free by 2045. Key portions of CETA’s implementation are still being decided, and the full impacts of the interaction between CETA, the EIM, and CAISO’s business practices are yet unknown. For these reasons, the market fundamental relating to renewables and GHG have changed since the E3 study and warrant a new study.

In addition, the forecasted Resource Adequacy (RA) landscape looked much different in 2019. The figure below shows the expected capacity shortfall in the fall of 2019:¹

¹ Northwest Power Pool Exploring a Resource Adequacy Program for the Pacific Northwest: An Energy System in Transition at 76 (Oct. 2019).



In contrast, the Northwest Power Council recently forecasted that a flood of new renewable construction (200 GW of new renewables in WECC by 2029) will result in a dramatically different RA landscape than was assumed in 2019 when the E3 study was produced.² The 2021 results show an expected capacity surplus in 2027, quite a different picture worth exploring before a major market decision.



² <https://www.nwcouncil.org/meeting/power-committee-webinar-march-24-2021>.

If the Council's forecast is correct, the dramatic increase in renewable resources could also result in a sustained reduction of market energy prices. The E3 study used 2016-2018 actual EIM prices and did not have the benefit of the Northwest Power Council's recent analysis or the added sample size of two more years of data. Although the study looked at the impact of reduced intra-hour market volatility (50% less volatile), it did not consider the impact of lower prices in the overall regional market arising from a high saturation of renewables. These forecasted regional market and RA landscape changes demonstrate a material change in market fundamentals warranting an updated E3 study.

EIM Settlements

Regarding EIM Settlements and Settlements Training, customers are concerned with BPA's proposal to delay additional engagement until the June Workshop, especially given the planned November parallel operations. Given the likelihood of significant impact to customers' existing Settlement systems, processes, and staff, we would encourage BPA to engage with customers as soon as is practicable.

Thank you for the opportunity to comment.