

**Stakeholder Comments Template**  
**Extended Day-Ahead Market Issue Paper**

<b>Submitted by</b>	<b>Organization</b>	<b>Date Submitted</b>
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Northwest Requirements Utilities (NRU) represents the interests of 53 municipalities, public and people’s utility districts, tribal utilities, and electric cooperatives, all of which purchase wholesale power from the Bonneville Power Administration (BPA) on a preferential basis. NRU members purchase over 25% of BPA’s Tier 1 system, representing nearly \$570M in annual revenues to BPA. NRU utilities are located throughout seven states, twenty-three of which are located in the balancing authority areas (BAAs) of existing EIM entities. Now that BPA has signed the EIM Implementation Agreement, all NRU members will be directly impacted by the EIM and any Extended Day-Ahead Market.

NRU appreciates the opportunity to submit comments on the Extended Day-Ahead Market (EDAM) issue paper that was posted on October 10, 2019. The initiation of the EDAM stakeholder initiative is a significant development that, if implemented, will fundamentally change commercial transactions and how load is served in the Western Interconnection for those entities that choose to join EDAM *and* for those that may not.

Given the importance of this market evolution, NRU has partnered with other public power utilities<sup>1</sup> in the Northwest to develop common interests on principles and elements that we believe should be applied to any centralized day-ahead market that develops in the Northwest, including EDAM. These interests are not intended to offer support or opposition to any specific new or expanded market proposals but provides NW Public Power’s perspectives on market design.

The attached interests address market design only. The governance structure of an extended day-ahead market is also of critical importance to NRU and the broader NW Public Power community, and we understand that proposed changes to EIM governance that will be necessary for EDAM will be developed through the Governance Review Committee process. We will actively engage and provide perspectives and comment on governance-related changes as part of that separate initiative process.

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<sup>1</sup> The NW Public Power Interests for a Day-Ahead Market were developed by the Public Generating Pool, the Public Power Council and Northwest Requirements Utilities.

# Day-Ahead Market Design Interests

*November 22, 2019*

The NW Publicly Owned Utilities (NW Public Power) recognize that centralized markets have been evolving as part of the Western power landscape. The market design and governance foundation of a centralized day-ahead market is critical to an equitable sharing of value among participants. This paper is not intended to offer support or opposition for any specific new or expanded market proposals but provides NW Public Power's perspective on principles and elements that should be applied to any centralized day-ahead market that develops in the Northwest.

This document addresses market design interests only; governance will be addressed separately.

## Transparent Price Formation and Fair Compensation for Services

- The market solution co-optimizes the procurement of energy, capacity, flexibility, and ancillary services (if included in design) needed to meet reliability needs through the market and minimizes the need for out of market actions
- Bidding rules allow resources to reflect true costs of dispatching units, including opportunity costs
- Market rules send proper price signals for the attributes and/or products required to meet reliability needs
- Products and price formation recognize and appropriately compensate resources for the attributes supplied to the market
- Market prices accurately reflect shortages and scarcity conditions

## Resource Sufficiency<sup>2</sup> Requirements Promote Reliability, Ensure Equity and are Applied Consistently

- Requirements ensure sufficient resources and flexibility to meet a wide range of potential real-time conditions with a high level of confidence to ensure reliable operation of the system
- Counting rules appropriately account for the capacity, energy, and flexibility that different resources contribute towards meeting requirements
- Requirements assure resources are deliverable to load
- Effectively prevents entities from leaning on the market for energy, capacity, and flexibility needs
- Enforcement measures do not allow Resource Sufficiency compliance to be a discretionary economic alternative
- Requirements and counting rules are applied consistently to all entities subject to the test and avoid double-counting of transactions
- Timelines allow continued participation in bilateral markets

## External Resources are able to participate and are treated comparably

- Market rules provide external resources the ability to economically participate in the day-ahead market and be treated comparably to internal resources

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<sup>2</sup> The term Resource Sufficiency in this context references a showing of resources with the appropriate resource characteristics that are available to meet demand on a shorter time horizon--day-ahead and real-time.

### Transmission Framework meets Open Access Principles and Minimize Cost Shifts

- Open access and reservation priority principles are upheld
- Transmission framework minimize cost shifts to load and results in no adverse impacts to existing transmission rights
- Transmission Owners and Service Providers receive sufficient compensation to cover the costs of existing transmission and those costs are appropriately assigned to users based on cost causation.
- Transmission rights holders are ensured congestion/financial rights to mitigate congestion costs

### Market Power Mitigation recognizes the unique attributes of resources

- Mitigation methods accept and provide for the complex and dynamic nature of hydropower planning, operational constraints, and opportunity costs. Therefore, opportunity costs for hydropower should recognize the trade-off between producing energy today instead of producing energy in the future, as well as the opportunity costs of alternative real-time bilateral market transactions
- Market Power Mitigation should only occur where the opportunity to exercise market power exists
- Market Power Mitigation methodology should consider the unique aspects of a voluntary market which includes choices surrounding the nature of a voluntary market (access to other opportunities, opportunity costs, the cost of water in various time increments, etc.)

### Greenhouse Gas Accounting Accurately accounts GHG attributes of resources

- Accurately accounts for and values the GHG attribution of resources being dispatched to serve load in a carbon-regulated state and credits those resources accordingly
- Methodology is compatible with carbon and clean energy legislation of all states that impact day-ahead market participants

### Respects Existing Laws, Statutory Obligations, Regulations, and Local Regulatory Authorities

- Organized markets with different kinds of participants (e.g. IOUs, POU, PMAs, etc.) must respect existing laws, statutory obligations, regulation, and local regulatory authorities
- Resource Sufficiency requirements do not supplant local regulatory decision authority for resource procurement

### Proper Market Function is Assured

- An independent market expert provides routine review and reporting, evaluating the market design and function relative to fair and competitive market principles
- Mechanisms are in place to signal when the resource sufficiency framework is not functioning properly
- Mechanisms are in place to evaluate proper price formation relative to costs of energy, capacity and flexibility
- Mechanisms are in place to assure proper GHG accounting and compensation