

August 23, 2021

John Hairston
Administrator, Bonneville Power Administration
Portland OR, 97232

RE: Draft EIM Close-out Letter

Powerex appreciates the opportunity to provide comments on Bonneville's July 29, 2021 Draft EIM Close-Out Letter.

Powerex supports Bonneville's decision to begin participation in the EIM in March 2022. The EIM represents the first successful implementation of an organized wholesale electricity market in the west outside of California. Organized markets such as the EIM enable hourly and sub-hourly balancing of generation and demand across a large footprint, which Powerex believes to be a necessity in achieving the broader western region's environmental policy goals. Participation in the EIM has therefore represented an important first step forward for the region's efforts to transition to a deeply de-carbonized electricity grid. With Bonneville's participation, the EIM footprint will expand to include nearly all of the Northwest; perhaps more importantly, however, EIM participation will provide Bonneville with invaluable experience participating in an organized market. This will position Bonneville to continue to be a leader in the region's efforts toward a modernized, low-carbon grid.

Powerex agrees that there are likely positive economic benefits for Bonneville's power business that can arise from EIM participation. Specifically, the EIM can be expected to provide some incremental opportunities for Bonneville to make additional purchases of energy, allowing it to conserve resources where it is economic to do so, and may also provide some opportunities to make additional incremental surplus sales. EIM participation may also help to reduce Bonneville's dependence on the federal power system to provide all of the intra-hour balancing needed in its Balancing Authority Area.

In contrast, Powerex believes there will likely be limited, if any, economic benefits for Bonneville's transmission business arising from Bonneville's EIM participation. In addition, the interaction between the real-time contract path scheduling on Bonneville OATT rights, the submission of EIM base schedules, and the resulting allocation of EIM charges and credits, has some potential to adversely impact Bonneville transmission customers. Powerex believes that it will be important for Bonneville to remain committed to identifying and addressing any adverse impacts to transmission customers, such that investments in Bonneville transmission service are not materially undermined.

Powerex concurs with Bonneville's recognition that EIM participation represents a specific and discrete decision, distinguishable in numerous respects from the broader discussion of regional organized markets and collaboration. Most importantly, the EIM represents an opportunity for incremental purchases and sales on a 15-minute and 5-minute basis; it does not replace or displace the hourly or multi-hour transaction activity that currently occurs in the day-ahead or real-time bilateral markets. Nor does the EIM replace the reservation and scheduling of transmission under the OATT framework.

The optional and additive nature of the EIM also means it has not been critically necessary to resolve some of the more challenging regional issues related to market design, transmission service, and governance. While Bonneville appropriately views these issues as "beyond the scope" of its present decision to participate in the EIM, these issues

are “front and center” in discussion of more substantial regional market initiatives, including pursuit of a regional resource adequacy program and consideration of a regional day-ahead market. Unlike the EIM, those types of initiatives will fundamentally alter and replace how entities procure capacity and energy, ensure delivery, and fund transmission investments. Such initiatives will have far-reaching implications for the region’s forward, day-ahead and real-time markets, and for each entity’s power and transmission businesses. It will therefore be imperative that future regional market development be built upon:

- A robust governance model that equitably balances the interests and priorities of differently-situated entities and regions;
- A market design based on industry best practices, and that accurately values the capacity, energy and flexibility provided by hydro systems;
- A transmission framework that ensures that the specific entities that fund transmission service receive the associated reliability and economic benefits; and
- A resource adequacy framework that unlocks the diversity benefits of a large footprint without compromising reliability or enabling inequitable leaning on investments by other ratepayers.

Given the critical importance of successfully addressing these very challenging issues, Powerex agrees with Bonneville’s approach of exploring multiple different potential paths forward. Proactive and clear leadership by Bonneville is needed to pursue and shape the new regional electricity market frameworks that can best achieve deep de-carbonization, maintain reliability, and provide the greatest benefits to the region’s ratepayers. Powerex fully supports Bonneville’s decision to begin EIM participation as an important step on this path, and looks forward to working with Bonneville, its customers, and other regional stakeholders toward this important goal.

Sincerely,



Mike MacDougall
VP, Trade Policy and IT
Powerex Corp.