

August 30, 2024

Joint Comments on PacifiCorp's August 21 EDAM Integration Customer Meeting

Joint Commenters¹ appreciate the opportunity to provide comments in response to PacifiCorp's August 21, 2024 customer meeting on its proposed amendments to its Open Access Transmission Tariff (OATT) to accommodate its participation in the California Independent System Operator's (CAISO) Extended Day Ahead Market (EDAM).

As you know, there are two potential day-ahead markets under development in the broader Western Interconnection—EDAM and Southwest Power Pool's Markets+ (Markets+), as well as SPP's RTO Expansion initiative (RTO West). Balancing Authorities, Transmission Service Providers (TSPs), Transmission Customers, and other stakeholders throughout the Western Interconnection are considering potential participation in these markets. PacifiCorp is the first of many TSPs that will have to revise their respective OATTs to accommodate day-ahead market participation. As such, it is especially important to the Western Interconnection that PacifiCorp's proposed OATT revisions foster and encourage the development of day-ahead markets in a fair and equitable manner that promotes open access and competitive outcomes. We expect PacifiCorp to extend the same opportunities to transmission users on its system as PacifiCorp has enjoyed on other providers' systems to facilitate its participation in WEIM (and that PacifiCorp likely expects to continue to enjoy to facilitate its participation in EDAM).

We believe that PacifiCorp's proposed OATT amendments, as well as the OATT amendments of other TSPs in the future, regarding transmission rights should result in a workable, replicable approach that:

- 1) Respects the core elements of existing firm transmission rights;
- 2) Maintains strong incentives for continued investment in firm transmission service by unaffiliated Transmission Customers, including investments that will fund transmission upgrades and expansion; and
- 3) Supports the ability for Transmission Customers, at their own discretion, to use their transmission rights to seamlessly participate in:
 - a. Western Resource Adequacy Program (WRAP);
 - b. EDAM and/or EIM;
 - c. Markets+ and/or RTO West; and
 - d. Other contractual arrangements unrelated to WRAP, EDAM/EIM or Markets+.

At the highest level, it is important that PacifiCorp recognize that Transmission Customers invest in long-term firm transmission rights for two fundamental purposes: to receive the **highest priority to use the transmission system**, and to **be largely protected from congestion-related charges** on the transmission path that they have procured. Maintaining strong

¹ Joint Commenters include Arizona Public Service Co., Chelan County PUD, Grant County PUD, Powerex Corp., Public Power Council, Public Service Company of Colorado, Salt River Project, Snohomish PUD, Tacoma Power, Tri-State Generation and Transmission Association, Inc., and Tucson Electric Power Company.

incentives for continued investment in firm transmission service by unaffiliated Transmission Customers is a foundational component of both the EDAM and Markets+ proposals. Achieving these incentives will require that PacifiCorp continue to respect these core elements of firm transmission service as it drafts its proposed OATT amendments.

It will also be important that the OATT amendments of entities joining EDAM are carefully drafted to ensure that Transmission Customers can confidently rely on their transmission rights to:

- 1) meet their obligations under the WRAP Forward Showing Program,
- 2) schedule physical deliveries under the WRAP Operational Program, and
- 3) enable connectivity in a non-CAISO market such as Markets+ (or any other organized market in which the customer chooses to participate).

Meeting these three requirements will help enable Transmission Customers to efficiently use regional transmission to provide affordable service to consumers. As a participant committed to the WRAP's success and development of organized markets in the West, we would expect that PacifiCorp shares this interest. Accordingly, it will be critical that the above activities are fully enabled through PacifiCorp's updated tariff and business practices.

Accommodating the use of transmission rights to participate in a regional program or regional market in which the TSP does not itself participate is not new. In fact, it is the essence of open access, where the non-discriminatory provision of transmission service is not a tool to be used by the TSP as leverage to influence the decisions of its Transmission Customers, including which market a customer may choose to participate in. PacifiCorp itself has benefited from having such open access over other transmission systems for over a decade, as transmission rights over TSPs that did not participate in the Western EIM were nevertheless used to enable transfers between EIM entities, including PacifiCorp. Reciprocal application of this market-agnostic approach *requires* that PacifiCorp likewise enable transmission rights on its system to be used for connectivity in Markets+.

A straightforward way to achieve this would be to provide customers with a limited "carve out" of transmission rights for this specific purpose. Carve-outs of PacifiCorp transmission rights for Markets+ use would ensure that EDAM does not attempt to optimize PacifiCorp transmission capacity that is already being optimized by Markets+ (pursuant to a customer's contribution of specific PacifiCorp rights to Markets+). **We would like to highlight that the Markets+ design already incorporates a similar "carve out" concept, which has the potential to be used by customers of Markets+ TSPs (including PacifiCorp) to provide connectivity in EDAM.**

We understand that PacifiCorp indicated at the August 21 customer meeting that it did not intend to provide a carve out for transmission rights to be used in Markets+. We trust that PacifiCorp's comments were intended more narrowly than they may have been understood and that the final OATT language will reflect open access. However, PacifiCorp has not yet offered proposed language or materials in writing for the use of PacifiCorp transmission rights for participation in a non-CAISO market. We urge PacifiCorp to arrange future discussions to clarify

PacifiCorp's intent and to provide an opportunity to work collaboratively with stakeholders to develop a workable approach.

We recognize that a carve out may not be the only way to achieve the above objectives, and alternative approaches may be worth exploring. But PacifiCorp must not make it unworkable for a transmission customer to utilize its transmission rights for connectivity in Markets+, such as by requiring transmission customers to submit energy bids or offers into EDAM to use their rights, or by broadly applying EDAM congestion charges to firm schedules submitted or adjusted prior to the current EIM T-60 deadline.

Furthermore, any PacifiCorp OATT provisions or business practices that frustrate the use of PacifiCorp transmission rights in Markets+ will create barriers between EDAM and Markets+ where no such barriers need to exist. The concerns expressed by many EDAM supporters about seams issues between EDAM and Markets+ should spur efforts by PacifiCorp to *minimize* those seams. Any effort to create obstacles to using PacifiCorp transmission rights in Markets+ would clearly be at odds with those stated concerns, and would have the effect of *creating and exacerbating* seams.

We stress that supporting the use of PacifiCorp transmission rights in the context of WRAP and Markets+ is also vital to protecting against transmission cost shifts onto PacifiCorp's native load customers. PacifiCorp currently projects collecting nearly \$200 million per year from the sale of transmission rights to unaffiliated Transmission Customers; this revenue represents about 25% of PacifiCorp's annual transmission revenue requirement. If the usefulness of PacifiCorp transmission rights were significantly restricted—such as through OATT amendments that make it impossible or unworkable to use PacifiCorp transmission rights in connection with Markets+ or WRAP—some Transmission Customers may see little reason to continue to purchase transmission service from PacifiCorp. This would leave a larger share of PacifiCorp's transmission revenue requirement to be recovered from native load customers. To our knowledge, the studies of the potential EDAM benefits for PacifiCorp did not consider any such shift of transmission costs onto PacifiCorp native load customers.

Perhaps as important, third-party investment in PacifiCorp transmission rights is also a source of funding for transmission upgrades and expansion, which is widely recognized as critical to the successful transformation to a clean, reliable grid. OATT amendments that limit how PacifiCorp transmission rights can be used could shift the burden of funding those projects on to native load customers, which may prevent some of those projects from moving forward at all.

In its recent comments to the Federal Energy Regulatory Commission (FERC) in the Markets+ tariff proceeding², PacifiCorp (as a member of "Joint Respondents") withdrew its initial opposition to the Markets+ framework for use of "donated" transmission rights. PacifiCorp recognized that the Western EIM had benefitted from such a framework in the past, and that EDAM would also utilize this "donation" framework going forward. It argued, however, that "[t]he ability of PacifiCorp to use its rights over BPA's system to participate in the WEIM today was the result of negotiated agreements that gave BPA the assurance that the usage of those rights in

² Docket No. ER24-1658

that manner would not jeopardize reliable operation of the BPA system” and that, “[b]y contrast, Markets+ does not yet have a foundation of agreements with neighboring entities to build on.”³ PacifiCorp acknowledged that “time remains for regional stakeholders to work through these and other seams issues that may arise.”⁴

We urge PacifiCorp to follow through on its statements to FERC and work in good faith with its customers and other regional stakeholders to address any issues that it believes would arise from the donation of PacifiCorp transmission rights for use in Markets+. As the first TSP making OATT amendments to accommodate EDAM or Markets+, this will require an open and inclusive process with multiple substantive workshops. Through this process, we expect extensive collaborative discussion of how PacifiCorp transmission rights can be used in WRAP and in Markets+, as well as the development of any provisions that PacifiCorp may need to ensure the reliable operation of its transmission system. This kind of open and inclusive process is the most productive path to a consensus and uncontested tariff approval process.

Sincerely,

Arizona Public Service Co.

Chelan County PUD

Grant County PUD

Powerex Corp.

Public Power Council

Public Service Company of Colorado

Salt River Project

Snohomish PUD

Tacoma Power

Tri-State Generation and Transmission Association, Inc.

Tucson Electric Power Company

³ Motion for Leave to File Answer and Answer of Joint Respondents, Docket No. ER24-1658 (June 6, 2024) at 5.

⁴ *Id.*