



NW Energy Coalition
for a clean and affordable energy future

NW Energy Coalition: Background for FERC’s decision on SPP’s Markets+ Tariff

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The Federal Energy Regulatory Commission’s approval of SPP’s Markets+ tariff is just one step in determining which proposed day-ahead market maximizes the economic and reliability value of the western grid for Northwest electric power customers while giving each state and interested party a strong governance role.

FERC has already approved the proposed Extended Day-Ahead Market (EDAM) as a companion to the Western Energy Imbalance Market which covers almost all of the Northwest and over 80% of the western grid.

The primary issue remains: which option will most enable Northwest utilities to maintain and enhance reliable, affordable energy and manage the ongoing clean energy transition. Especially for the Bonneville Power Administration, which has multiple obligations under federal law and serves all Northwest electricity consumers with its transmission system and federal power resources, there is still important work ahead to fully assess the options to maximize the benefits for our region and not make a premature decision.

FERC’s approval of the proposed Markets+ Tariff does not establish that it is the best option for BPA, or any Northwest utility, to join. What matters most going forward are the detailed market studies that delineate the comparative cost and reliability benefits of the two day-ahead market options, and the elements needed for a governance model that gives top priority to electric consumers and the concerns and policies of all our states. BPA and other utilities must continue to assess the proposed options to maximize benefits for the entire Northwest region

All the economic analysis shows that joining EDAM provides the greatest cost and reliability benefits to BPA, Northwest ratepayers and the western region. Consistent with other regional analysis, BPA’s own studies show that joining EDAM creates benefits ranging from \$65 - \$221 million per year compared to Markets+.¹ As the four Washington and Oregon senators recently said in a letter to BPA, “[a]ny market choice must be driven by a strong

¹ See BPA presentation, slide 30, Nov. 4, 2024): <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/dam-workshop-9-presentation-110424.pdf>
<https://www.brattle.com/wp-content/uploads/2024/10/BPA-Day-Ahead-Market-Participation-Benefits-Study.pdf#page=12>

business case—thus far, BPA has not been able to make this case for Markets+.”² FERC’s approval of Markets+ tariff does not change this fact.

FERC’s approval of the revised Markets+ tariff is just a step in an ongoing process. FERC approved the overall Markets+ Tariff along with two concurring opinions that raise significant issues going forward. Commission Chang noted gaps in the Tariff that need further refinement. Commissioners Christie and Rosner noted the Markets+ governance structure does not include a robust role for a body of state regulators covering the western footprint. This type of body is important to protect state policy priorities alongside regional market participation. The Pathways proposal recommends EDAM adopt the existing Body of State Regulators that has a clear role in the Western Energy Imbalance Market. BPA’s day-ahead market assessment should consider the unresolved Markets+ issues noted by Commissioner Chang and which option provides states an effective role in regional market governance.

Meanwhile the EDAM option continues to advance with the implementation of the Pathways Initiative recommendations to expand market governance to all regional stakeholders. In the coming months, the Pathways process will create a new independent governing entity and the California Legislature will consider legislation to enable California entities to fully participate in the independent, regionally managed EDAM market.

FERC’s approval of the Markets+ Tariff highlights the differing approaches to market governance. The evidence suggests Markets+ governance is likely to be *less* responsive to Northwest issues and needs.

- **Markets+ is a wholly owned project of the Southwest Power Pool, Inc., headquartered in Arkansas and headed by a board of directors for which Markets+ participants have no role in selecting.** The proposed Markets+ Independent Panel does not have final decision making authority and the Markets+ States Committee has limited access and influence over governance and market design. In contrast, the EDAM reforms require the governing entity to be specifically dedicated to western interests and create a Body of State Regulators with clear processes to give western state policy makers direct access to final governance and market design decisions.
- **The Markets+ participant structure prioritizes incumbent utilities over customers and state interests and policies.** The proposed process gives additional weight to market participants and requires other entities to devote substantial resources and for other commercial entities to incur large fees while not allowing full participation. The EDAM reforms provide an open and balanced process including all stakeholders, an Office of

² Letter from Senators Wyden, Cantwell, Murray and Merkley to BPA Administrator, Dec. 13, 2024: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20241213-delegation-letter-bpa-markets-choice.pdf>

Public Participation and a Consumer Advocates Office, and leverage expert staff to support the stakeholder process.

There is no rush for BPA to decide which day-ahead market to join. BPA recently characterized the existence of two western markets as inevitable even though all analysis shows that a single west-wide market footprint maximizes the benefits for all participants.³ FERC's approval of the Markets+ Tariff does not make that option inevitable. Participants must still evaluate which option maximizes benefits and enables full access to the decision-making process.

The fact is, BPA's decision about which of the two proposed day-ahead markets to join will likely determine whether the outcome is one or two markets in the west. A substantial number of utilities and states have committed to the EDAM market and the Pathways Initiative reforms show continued momentum in that direction. BPA remains an outlier in the region by leaning towards Markets+ despite the substantial economic benefits of EDAM. FERC's Markets+ decision does not alter this momentum or economic reality.

BPA faces a \$280 million budget shortfall this year, but still says it intends to commit more than \$25 million to SPP for further development of Markets+ whether or not it comes to fruition. As a number of commenters have observed, this seems like an imprudent use of ratepayer money on a market that every quantitative analysis predicts will cost more and be less reliable than EDAM. FERC's approval of the Markets+ Tariff does not change this fundamental analysis.

This is no time for BPA to rush forward. Instead, BPA should take sufficient time to fully evaluate the two market options as they develop in the coming year. All analysis shows that EDAM provides greater cost, reliability, and clean energy benefits for the region. BPA continues to emphasize that market governance is also an important consideration. FERC's approval of the Markets+ Tariff does not change the fact that the proposed EDAM reforms provide all Western stakeholders direct control over the regional market.

We agree that improved market governance is crucially important. BPA has sufficient time through the remainder of 2025 to let further reforms take shape and not make a premature decision on which market to join. Until such time, BPA should continue its participation in the Western EIM and support further development of the Pathways process.

³ BPA response to Senators Merkley, Wyden, Cantwell, and Murray: <https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2024/20241231-response-to-or-wa-senators.pdf>