

October 25, 2024

Powerex Corp. Comments on PacifiCorp's Proposed Tariff Revisions for EDAM Participation

Powerex submits these comments on PacifiCorp's proposed changes to its Open Access Transmission Tariff ("OATT") to enable its planned participation in the California ISO's Extended Day-Ahead Market ("EDAM"). As explained more fully in Powerex's prior comments, the proposed changes to PacifiCorp's OATT would largely eliminate the two primary benefits that transmission customers obtain as a result of their investment in firm transmission service: (1) the ability to receive the economic value when the path they have invested in is congested, and (2) the priority to flow ahead of deliveries on lower-priority transmission service. In addition, PacifiCorp's proposal fails to provide the critical ability for its customers to utilize their transmission rights to support participation in organized markets other than EDAM.

Firm point-to-point service provides OATT customers with a crucial ability to manage the impact of congestion on their physical deliveries. Powerex understands that the transition to EDAM by a transmission service provider ("TSP") means that transmission delivery schedules will be financially settled as a sale at the point of receipt and a purchase at the point of delivery, and that this in turn will create exposure to the price difference between the two locations in periods when there is congestion. In order for transmission customers with firm transmission rights to be protected against congestion charges in the EDAM, consistent with the benefits provided by firm transmission rights outside of organized markets, it is critical that the congestion revenues collected by the EDAM Market Operator be returned to the holders of firm transmission rights over the congested facilities. This will not occur under PacifiCorp's proposed OATT revisions, however. Instead, congestion revenues collected by the Market Operator will be returned to PacifiCorp, who will then allocate these congestion revenues to all Measured Demand.¹ ***Thus under PacifiCorp's proposal, the economic value of firm transmission service that has been reserved and paid for by existing transmission customers will be re-distributed and broadly socialized by PacifiCorp, and firm transmission rights will no longer provide protection against congestion to the customers that invest in those transmission rights.***

PacifiCorp's proposed revisions also sharply limit the ability of customers to ensure their physical deliveries on firm transmission service will have priority to flow when not all deliveries can be

¹ Att. T, Section 10.1 ("Transmission Customers with interchange will have their bid-in or self-scheduled imports and exports settled against the applicable MO market price."); The only provisions regarding the allocation of congestion revenue appears to be Section 10.4 (Day-Ahead Congestion Offset sub-allocated "[t]o all load and interchange by Measured Demand less any valid Balanced ETC/TOR schedules."). Transfer Revenue allocation is set forth in Section 10.3.1 (allocated directly by MO for certain "released" transmission rights; for amounts allocated by MO to PacifiCorp, "Directly Allocated to Transmission Customers whose contributed rights resulted in transfer revenue, with the remainder to all load and interchange by Measured Demand less any valid Balanced ETC/TOR schedules." There appears to be no description regarding identification of "contributed rights [that] resulted in transfer revenue.").

accommodated. As currently proposed, only self-schedules using firm transmission service submitted prior to the close of the day-ahead market will be assigned a high priority in EDAM.² After that time, EDAM Transfers will be able to utilize the “unused” firm transmission capacity customers have not yet self-scheduled, such that any intra-day schedules on firm transmission rights will “share” priority with those EDAM Transfers. Powerex notes PacifiCorp’s October 18 proposed tariff revisions introduce provisions in which PacifiCorp would instruct the Market Operator to assign a high priority to intra-day firm schedules, but only for schedules that are part of the forward showing of a Western Resource Adequacy Program (“WRAP”) participant.³ While Powerex strongly supports maintaining firm priority to support WRAP deliveries, Powerex strongly objects to PacifiCorp conferring benefits on deliveries to one regional program or market but not on deliveries to a different regional program or market. The heart of open access is that customers compete to procure firm transmission rights on a level playing field—against other transmission customers and against the transmission provider’s merchant entity—and that once secured, those firm rights can be used for any purpose **as determined by the transmission customer**, who retains the full rights and benefits associated with the firm service it has procured.

PacifiCorp’s October 18 proposed revisions also eliminate a section from the June 4 draft revisions entitled “Use of PacifiCorp Transmission Rights for Participation in a Non-CAISO Market.”⁴ The continued lack of clarity regarding how—or even whether—PacifiCorp will enable transmission customers to use firm rights for participation in an organized market other than EDAM is highly concerning. A transmission customer **must** have the ability to indicate its intention to use firm transmission rights to support its participation in an organized market—even where the TSP does not participate in that organized market—and for the TSP to therefore set aside that transmission capacity through real-time and not treat it as unused. This is a long-established ability that has been essential to providing PacifiCorp with connectivity to the Western EIM for nearly a decade through a “carve out” of Bonneville transmission rights between PacifiCorp’s BAA other EIM BAAs (e.g., Puget Sound Energy). It would be a clear violation of reciprocity for EDAM and/or WEIM entities to continue to use transmission service on other transmission systems to enable connectivity in that market while PacifiCorp refuses to provide similar functionality to its transmission customers seeking to enhance connectivity in Markets+.

The Markets+ tariff shows that transmission capacity can be made available to an organized market without diminishing the core benefits underlying transmission investment under the OATT. The Markets+ tariff explicitly provides to all transmission customers of all Markets+ TSPs the right to opt-out of having their reserved transmission capacity used in Markets+, and instead use it for other purposes of their choosing, including for use in EDAM.

² Att. T, Section 4.1.1.

³ Att. T, Section 4.1.3.6.1

⁴ Redline of October 18 proposed revisions, at pg. 22 (showing strikethrough of former Section 7.3).

PacifiCorp should provide a clear and unambiguous commitment to enabling transmission customers to carve out their firm transmission rights in order to use those rights in an organized market other than EDAM. PacifiCorp transmission rights that are carved out in this manner would neither be subject to EDAM charges, nor receive any EDAM-related congestion revenues. PacifiCorp's failure to provide such a commitment to date, or even to meaningfully engage with transmission customers on this issue, risks creating the impression that it intends to leverage transmission access as a strategic tool to impede the development of a competing organized market in the West.

For the above reasons, Powerex believes that the proposed PacifiCorp OATT revisions are deeply problematic, and will likely trigger substantial opposition from interested entities across the region when filed at FERC. But even if ultimately approved and implemented, the revisions are ill-advised, as they can be expected to put PacifiCorp's transmission revenues in jeopardy. PacifiCorp collects approximately 25% of its annual transmission revenue requirement—or around \$200 million per year—from its sale of transmission rights to unaffiliated transmission customers, with the majority of this revenue coming from the sale of long-term firm transmission rights. The proposed OATT revisions eliminate much of the business justification for transmission customers to continue investing in PacifiCorp transmission service. The loss of most or potentially all of PacifiCorp's third-party transmission revenue—and the shift of these transmission costs onto PacifiCorp's native load customers—is not only an unwarranted and unnecessary harm to both third-party and native load customers, it is an outcome that has not been considered in any of the available EDAM benefit studies.