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Powerex's Perspective on BPA's Day-Ahead Market Re-Evaluation: Seams, Governance, and the Choice Between EDAM and Markets+

November 17, 2026

Executive Summary

The Bonneville Power Administration ("BPA") is revisiting its 2025 decision to participate in the Southwest Power Pool's ("SPP") Markets+ day-ahead market. Its new Administrator and Chief Executive Officer, Travis Kavulla, has expressed a tension between the benefits of joining the California Independent System Operator's ("California ISO") Extended Day-Ahead Market ("EDAM"), which he describes as a "more seamless market" with "greater depth and liquidity," and the need for appropriate governance. The choice between EDAM and Markets+ has appropriately been described as a "generational decision." In Powerex's view, such a decision should not be based solely on what each market delivers on Day 1, but also on which path is more likely to meet BPA's dual goals of efficient trade across the West *and* receiving a fair share of the value of that trade on behalf of its customers.

Organized markets will not eliminate seams, but they will decide who receives the benefits of trade between market participants. In EDAM, BPA's trade with California would occur across an "internal seam" managed entirely under EDAM's rules, with the value of that trade also allocated by EDAM's market rules. In Markets+, the same trade would occur across a "market seam," which will not initially be optimized, but whose value will be allocated under frameworks negotiated by two peer market operators.

Joining EDAM may provide for optimized trade between BPA and California on Day 1, but under an initial design that is problematic for BPA, Northwest entities and their ratepayers. With respect to transmission, EDAM has no mechanism for customers to continue to use BPA transmission service outside EDAM, exposes those customers to new congestion charges and an as-yet-undetermined congestion revenue allocation, and undermines delivery priority, all of which weaken BPA's ability to recover its transmission revenue from the sale of point-to-point service. More broadly, EDAM also lacks a forward-looking resource adequacy requirement, raising concerns about reliability and "leaning," while the lack of robust scarcity pricing or fast-start pricing will suppress the price that BPA receives for its dependable, flexible, and clean hydro-based supply.

Joining Markets+ would provide BPA with an equitable share of the value of its trade with other Markets+ participants from Day 1. Markets+ has been built on a robust stakeholder-driven design incorporating price formation that accurately reflects the value of supply from hydro-based sellers like BPA, along with a neutral market operator and a fully independent board. The robust stakeholder-driven design also provides confidence that the market rules will evolve in a manner that best meets the needs of all market participants. Markets+ will not, however, provide fully optimized trade with California on Day 1. That trade will occur across market seams with EDAM rather than within a single market, but its efficiency will improve over time through seams coordination between the market operators.

Neither EDAM nor Markets+, as initially designed, are able to optimize BPA's transactions with California and provide confidence that BPA will receive appropriate value for its supply and for its transmission service. Each market option secures one goal on Day 1 and relies on future improvements to achieve the other. The question for BPA is whether it can realistically expect those improvements to materialize.

Powerex believes the answer depends critically on the alignment of incentives. In EDAM, ensuring BPA receives a fair share of the benefits of its trade will require significant changes to the existing market rules. Changes to rules affecting who receives the benefits of trade over internal seams are a zero-sum proposition. Those changes, and a transition to more independent governance necessary to develop and enact them, can be expected to face opposition, just as they have in the past. The current proposal would have EDAM governed by an independent Regional Organization for Western Energy ("ROWE") but with the California ISO still operating the market and largely leading the evaluation and development of market rules. This scenario may be as independent from California influence as EDAM gets.

In Markets+, expanding opportunities for BPA and other Markets+ participants to trade with California is not zero-sum, but provides substantial benefits to participants in both markets. With strong incentives for stakeholders in both EDAM and Markets+ to find solutions to expand trade, the likelihood of progress is significantly higher. The September 30, 2026, joint report by the California ISO and SPP is a concrete start, and the Federal Energy Regulatory Commission ("FERC") has made clear it expects to see progress.

In Powerex's view, Markets+ is the most promising long-term path for entities outside California, including BPA, to fully realize the value of trade with California while also preserving necessary investment incentives.

Introduction

Bonneville Power Administration's new Administrator and Chief Executive Officer, Travis Kavulla, is revisiting BPA's 2025 decision to participate in Markets+. Powerex, like BPA, has been deeply involved in the development and funding of Markets+ over the past several years. In January 2025, Powerex publicly committed to joining Markets+, and believes there have been no developments since that announcement that would warrant reconsidering this commitment.

Nevertheless, Powerex respects Mr. Kavulla's prerogative to review BPA's day-ahead market decision "with fresh eyes." Mr. Kavulla's September 3, 2026, letter to the ROWE expresses a tension between the benefits of joining EDAM, which he describes as a "more seamless market" with "greater depth and liquidity," and the need for appropriate governance, which the letter recognizes "could overwhelm" the other considerations.[1]

Organized Markets Will Not Eliminate Seams, But They Will Decide Who Receives The Benefits of Trade

In the ongoing regional dialogue, some have used "seams" as shorthand for barriers that block trade and claimed that seams are "eliminated" by joining a single day-ahead organized market. Powerex believes this framing is inaccurate and incomplete. Wholesale electricity trade has occurred for decades in the West notwithstanding the seams that exist at the boundaries between the region's many transmission service providers ("TSPs"), balancing authority areas ("BAAs"), resource adequacy ("RA") programs, and greenhouse gas ("GHG") programs, and also between the California ISO's organized market and areas outside of that market. An organized day-ahead market will not eliminate any of these seams—this can only occur through consolidation of the particular functions, programs, or services—and neither participation in EDAM nor Markets+ will result in such consolidation.

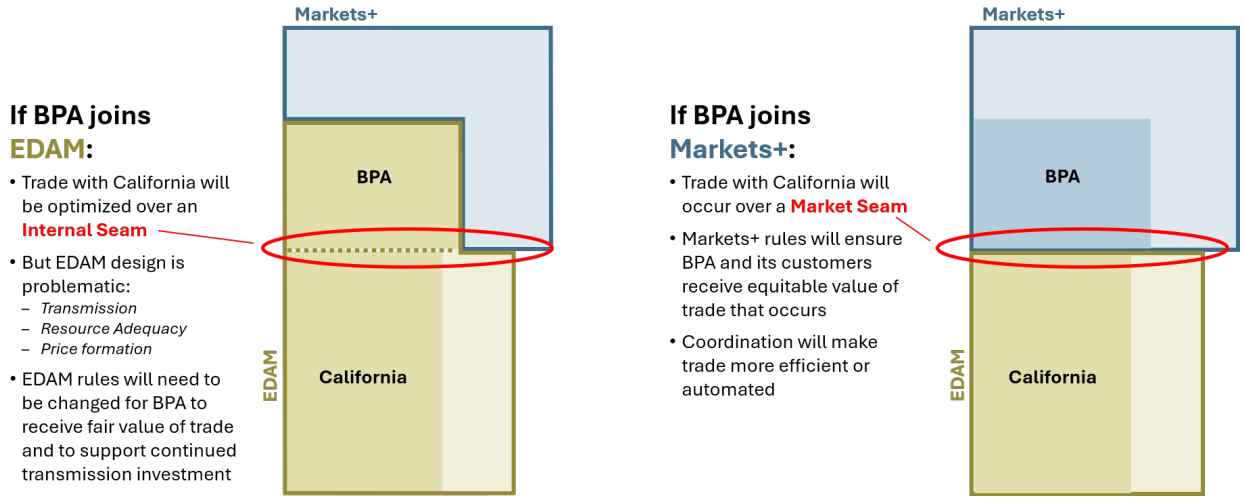
What an organized day-ahead market will change is *how* these seams are managed and by whom. For instance, the seams between two TSPs that join the same market will become "internal seams" managed entirely by that market's rules and business practices. A market participant currently realizes the value of trade across existing transmission seams by procuring service from TSPs on both sides of the seam, with the necessary service priority to ensure the transaction is physically delivered. If the TSPs join the same organized market, however, use of their transmission capability will be managed by the market optimization, and the value (if any) of transmission service rights sold by each TSP will be determined by the prices set by the organized market. Similarly, the market optimization will manage seams between BAAs by determining how supply in one area is committed to serve consumers in other areas; and will also manage seams between GHG programs by determining which consumers receive the clean supply or GHG attributes of different resources.

Converting a current seam to an internal seam within an organized market has the advantage of having a single entity (the market operator) managing the seam and optimizing trade across it. But this necessarily means that the *value* of trade across that internal seam will be determined entirely by the market's rules and practices.

[1] Letter from Travis R. Kavulla, Administrator and Chief Executive Officer, BPA, to Regional Organization for Western Energy, Inc. (Sept. 3, 2026) ("Kavulla Letter"), https://www.bpa.gov/-/media/Aep/projects/day-ahead-market/2026/rowe-letter.pdf.

Alternatively, a seam between entities that join different organized markets will become a "market seam." Transactions across a market seam will be subject to the rules and practices of the markets on either side of the seam—similar to what occurs today. Applying the optimization and automation of organized markets to these transactions is feasible, but will require coordination between the two organized markets, generally under mutually satisfactory negotiated agreements. As a result, the value of trade across market seams will be allocated under frameworks negotiated by the two peer market operators.

In this framing, an entity's day-ahead market choice can be viewed as deciding whether its trade with specific partners will occur across "internal seams" located entirely within a market (if an entity joins the same market as its partner), or whether it will occur across "market seams" located between two markets (if an entity and its partner join different markets). The specific focus of Mr. Kavulla's letter is BPA's ability to transact with the region's largest entity: the California ISO. Joining EDAM would result in BPA's trade with California occurring over an internal seam managed entirely under the rules and practices of EDAM, with the value of this trade being allocated by EDAM's market rules. Conversely, joining Markets+ would result in BPA's trade with California occurring over a market seam requiring coordination between Markets+ and EDAM, but with the value of this trade being allocated in a mutually agreed manner negotiated between EDAM and Markets+.



Two Markets, Two Sources Of Uncertainty

Whether BPA's trade with California occurs across "internal" or "market" seams has different implications regarding both (1) the efficiency of this trade, and (2) whether BPA and its customers receive an equitable share of the benefits of that trade. Neither market option, as it currently exists, offers an opportunity to both optimize BPA's electricity transactions with California (available only in EDAM) while also providing confidence that BPA will receive an equitable share of the benefits of that trade (available only in Markets+).

Instead, each day-ahead market option offers BPA the ability to secure one of those goals on Day 1, while relying on future improvements to achieve the other goal:

- Joining EDAM ensures that generation and demand on both sides of internal seams between BPA and California are optimized by the same organized market, but under an initial market design that

favors California interests. Ensuring that BPA and its customers realize an equitable share of the benefits of this optimization will require future improvements to governance, oversight, and operational independence.

- Joining Markets+ provides confidence that the benefits of BPA's trade with other Markets+ entities will be equitably shared, since its market design, operation, and oversight are independent of any state, entity, or interest. BPA's trade with California will not be optimized by a single market operator, but will instead occur across a market seam. Future improvements and coordination with EDAM will be required to maximize the efficiency of trade over market seams.

Each market option requires not only weighing the importance of the objective that the market provides on Day 1, but also the likelihood of achieving the second objective in the future. In evaluating joining Markets+, can BPA realistically expect market-to-market trade to become increasingly efficient, coordinated, or even automated? In evaluating joining EDAM, can BPA realistically expect EDAM to become sufficiently independent of California so that the market rules necessary to meet the needs of BPA and other Northwest entities can be adopted and implemented?

Powerex believes that the likelihood of each market making the future progress necessary to meet BPA's needs depends critically on the alignment of incentives:

- Reducing barriers to buying and selling electricity makes trade between Markets+ and EDAM more efficient, and thus benefits participants in both markets. Participants in either market are unlikely to oppose expanding opportunities to sell surplus power or buy lower-cost electricity. Because both sides benefit, they are more likely to find solutions.
- In contrast, changes to market rules that determine who receives the benefits of trade over internal seams are a zero-sum proposition: benefits received by one entity necessarily diminish the benefits to others. Changes to market rules that result in a change to the allocation of benefits—and the transition to fully independent governance necessary to enact those new rules—can be expected to face opposition, just as they have in the past.[2] The misalignment of interests related to future governance reforms can be expected to diminish the prospects for a timely and full transition to an independently governed EDAM.

The following sections offer a more detailed evaluation of how Powerex views the two available day-ahead market paths, including what each market offers on Day 1, what remains to be improved in the years ahead, and the likelihood of those improvements coming to fruition given the incentives of the entities involved.

[2] Several important initiatives appear to have become stalled or delayed due to misaligned interests. For instance, the California ISO's Market Surveillance Committee recently observed that, in the price formation enhancements initiative, "[p]rogress has been slow due in part to technical challenges but also due to the fact that these topics are divisive and it will be very difficult to obtain stakeholder consensus," and that "there is wide stakeholder disagreement on several of these topics, with strongly held views on both sides of many of these issues." MSC Update – October 2026, at 1 and 3.

EDAM: Optimized Trade With California But Under A Problematic Design With Uncertain Prospects For Improvement

Joining EDAM would locate BPA's transmission provider and balancing authority seams as internal seams within EDAM. Generation resources, demand, and transmission capability on both sides of these now-internal seams will be part of the same market optimization on Day 1, providing automated and centralized trade across these internal seams. This would all occur under EDAM's market rules, however, which were largely designed by the California ISO and will be implemented by the California ISO as market operator. Multiple aspects of the initial design of EDAM are concerning for Northwest hydro-based suppliers like BPA, as well as for the ongoing value of transmission service on BPA's system. The key question for BPA is whether, in the years and decades ahead, the design and operation of EDAM will evolve in a manner that ensures BPA and its customers receive a fair share of the value of the automated trade with California. And, more fundamentally, whether BPA will be able to influence the trajectory of EDAM's evolution to ensure the needs of the agency and the broader Northwest region are adequately addressed. As discussed below, the challenges with the initial design and operation of EDAM are well known, and have the potential to adversely impact hundreds of millions of dollars per year of BPA surplus power sales and sales of transmission service. At the same time, the framework that will govern future decision-making and oversight of EDAM remains highly uncertain and subject to significant California control.

Initial EDAM Design Is Problematic For BPA And Northwest Entities

BPA's transmission and power business lines are both unusually exposed to the specific design and implementation of EDAM rules. For transmission, BPA's point-to-point customers on the primary network provide roughly 75 percent of the revenue for that segment. For power, BPA manages and markets the output of the Federal Columbia River Power System for the benefit of preference customers and is a net seller of energy.[3] Both BPA's power and transmission businesses would be adversely affected by numerous aspects of the initial EDAM design on Day 1, including:

Transmission. BPA's annual transmission revenue requirement is over $1.5 billion, and BPA relies on the sale of long-term firm point-to-point transmission service to recover the majority of that revenue.[4] The market BPA joins must preserve strong incentives for customers to continue to invest in BPA transmission service in order to avoid unintended and potentially large cost shifts among BPA's customers.

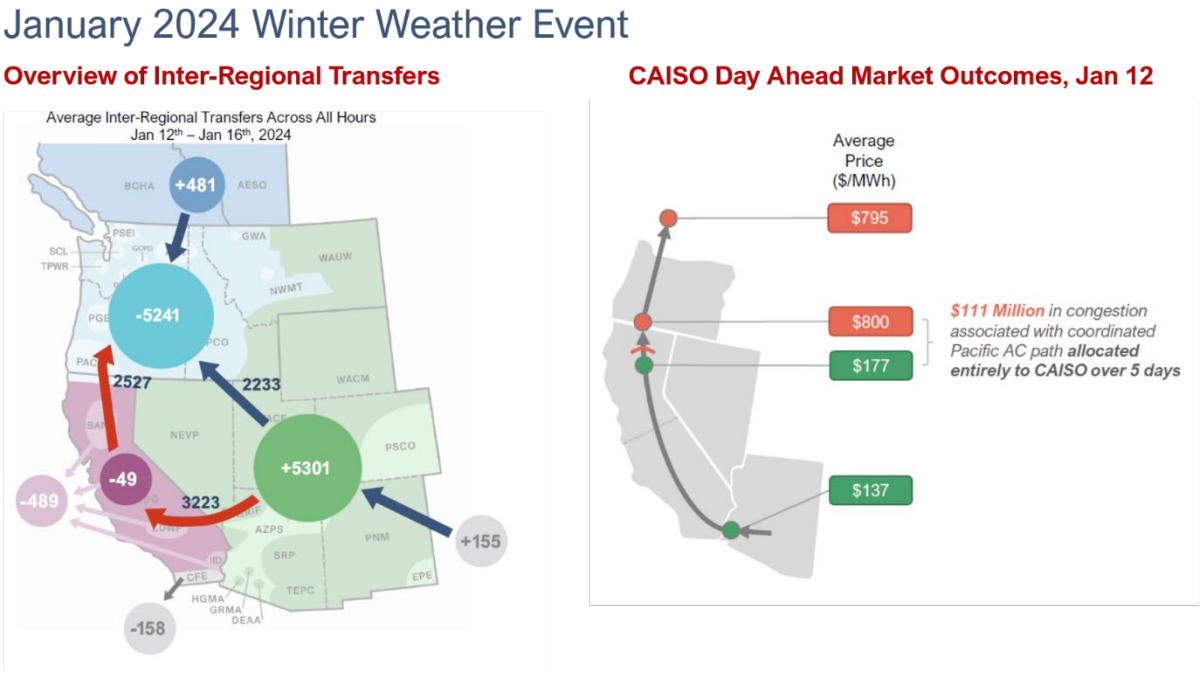
But EDAM's current design does not support continued investment in BPA transmission service. EDAM has no mechanism for customers to continue to use BPA transmission service outside of participating in EDAM. EDAM exposes all customers using BPA transmission service to new congestion charges and leaves firm priority to market rules that are determined by the California ISO.[5]

[3] Kavulla Letter at 6–7, 9.

[4] BPA Transmission Rates Study and Documentation, BP-26-FS-BPA-09 (July 2025), at Tbl. 1 (showing a total transmission revenue requirement for the BP-26 period of $1.68 billion per year); and at Tbl. 6 (showing $825 million of the $1.1 billion revenue requirement for BPA's primary network is recovered from point-to-point customers, and $288 million from Network customers).

[5] For example, California ISO staff have repeatedly emphasized that the current framework—which provides a congestion hedge for firm OATT rights that are self-schedules—is strictly transitional. CPUC Staff has expressed the view that "The expansion of the DAM should not come at the expense of California ratepayers, who have invested millions, if not billions of dollars, into a [sic] building a reliable grid. Therefore, rather than allocating away congestion revenue tied to parallel flows to the BAA causing the parallel flow, any long-term CRA methodology should return that congestion revenue to the BAA in which the constraint occurred." (CPUC Staff comments to December 11, 2025 meeting, at Q.2.) Southern California Edison has stated that "If EDAM BAAs wish to allow their

In Powerex's experience, the design and implementation of the California ISO's market rules have often resulted in the inequitable and disproportionate distribution of the value of the region's shared transmission facilities for the benefit of California interests. This is most evident during stressed conditions, including the January 2024 winter event when the California ISO collected over $110 million in congestion charges on the California-Oregon Intertie during just five days:[6]



EDAM market rules related to transmission charges and revenue allocation will have a major impact on the value proposition of investing in BPA transmission service and on BPA's future ability to fund its transmission service from the sale of long-term firm point-to-point service. Yet, perhaps the greater concern is the erosion of incentives to invest in major new transmission projects. Investment in BPA's long-term transmission products requires a value proposition and reasonable confidence that the investment will remain prudent over the term of investment. Subjecting long-term transmission products to market governance that is not fully independent exposes investment to elevated risk, making such investment more costly or discouraging it altogether. While BPA may currently have a large queue of transmission service requests, BPA's ability to fund major upgrades or new regional transmission corridors requires maintaining a strong investment rationale, which the current EDAM rules undermine.

customers to receive hedging for congestion caused in other BAAs then those EDAM BAAs should be expected to pay for that, with the congestion revenue continuing to flow to the area where the constraint is located. The purpose of the interim mechanism was to allow EDAM entities to adapt to the new EDAM structure. It was not meant as a permanent pass to create congestion in other BAAs and receive the congestion revenue." (SCE comments to May 11, 2026 meeting, at Q.1.)

[6] Adapted from Powerex, "Allocation of Pacific AC Congestion Rent During January 2024 Winter Weather Event" at 6-7. Presented at discussion of transmission congestion revenue distribution at the March 2024 meeting of the Board of Directors of the Pacific Northwest Utilities Conference Committee (PNUCC). *See also:* presentations at same meeting by Public Power Council, at 5, and by Energy GPS at 15; and California ISO, "Winter Conditions Report for January 2024", at 57 ("Congestion rents were significant at the Malin point during the Martin Luther King Jr. Day weekend due to the high congestion prices. The Malin intertie accrued about $100.9 million of congestion rents between January 5 and 19, while other internal constraints contributing to congestion prices at Malin accrued about $3 million.")

Resource Adequacy ("RA"). Mr. Kavulla's letter says participation in the Western Resource Adequacy Program ("WRAP") "or something like it" should be a binding condition of EDAM participation. While a day-ahead market can make efficient use of available supply, it is a forward-looking RA requirement or program that ensures supply is built and is available in the first place. A common RA requirement is also necessary to ensure every participant bears its fair share of the burden of ensuring this supply and does not "lean" on the investments funded by other ratepayers.

Markets+ fully addresses this need under its approved tariff by requiring all participants to also participate in WRAP. This design offers a seamless framework spanning forward-looking supply procurement and also providing shared access to this supply in the operational timeframe.

In contrast, EDAM has no forward-looking RA requirement or common yardstick. EDAM's resource *sufficiency* evaluation is a one-day-at-a-time check, based on the highly flawed test applied in the Western EIM, and provides virtually no incentive to build or contract for new supply. A new RA program is being discussed by EDAM proponents, but it is still in the early development stages and lacking key details, including whether EDAM participants will be required to join an RA program at all. EDAM will therefore face several seams between different RA frameworks, including California's existing RA program, the potential new EDAM RA program, RA requirements for California utilities not under the jurisdiction of the California Public Utilities Commission ("CPUC"), WRAP, and entities that elect not to join any RA program at all.

Price Formation. As noted in Mr. Kavulla's letter, there are significant differences in price formation between EDAM and Markets+. In particular, EDAM does not have robust scarcity pricing, excludes the cost of starting and running natural gas peaking units from the market price of electricity (*i.e.,* it lacks fast-start pricing), and deems clean supply outside of California to be the source of imports into California, minimizing its cost of complying with the state's GHG rules but suppressing the compensation received by clean suppliers, including BPA. Despite repeated requests over several years to revise price formation consistent with FERC policy and best practices in other markets, the California ISO has refused or deferred consideration of these changes, or the proposals developed by California ISO staff have failed to reflect what stakeholders requested.[7] The result is price formation in EDAM that will produce prices that often fail to reflect the full and accurate value of the flexible, dependable capacity provided by hydro suppliers, including by BPA from the federal system. This has significant implications for the customers of hydro-based utilities like BPA that use the revenues from off-system sales to keep rates low.

Therefore, while joining EDAM may provide for optimized trade between BPA and California on Day 1, it would do so under an initial market design that is disadvantageous to BPA and that will likely result in BPA and its ratepayers not receiving a fair share of the benefits of this trade.

[7] For example, a stakeholder initiative on scarcity pricing has been requested since at least 2020. The topic was included in a broader price formation enhancement initiative in 2022, but excluded from the "phase 1" proposal in 2024. Limited changes to emergency pricing are in a current straw proposal, while comprehensive scarcity pricing has been deferred to an unspecified future proceeding. Similarly, the California ISO and its Department of Market Monitoring have opposed fast-start pricing since 2017. It was included within the broader price formation enhancement initiative in 2022, but deferred to a subsequent phase. The issue has not proceeded beyond working group discussion, the last of which was in February 2025.

Who Will Guide EDAM's Evolution Remains Highly Uncertain

For EDAM to support BPA's unique circumstances and ensure that its customers receive a fair share of the benefits of trade with California will require significant changes to EDAM's rules and how they are implemented. It is reasonable to expect that some California parties would oppose those changes. The key question, then, is whether EDAM will become sufficiently independent of California interests so that its rules and operations can be guided by what is in the best interest of all stakeholders.

EDAM has its origins in a single-state organized market, designed and overseen by a California corporation whose board is appointed by California's governor, and that has a legal obligation to operate "consistent with the interests of the people of the state [of California]."[8] It has long been recognized that transitioning the California ISO market into one that can serve entities with diverse interests and priorities will require reducing the influence of California interests and giving a greater voice to the interests of entities and ratepayers in other states. This has not been easy. As the Pathways Initiative Launch Committee (the "Launch Committee") succinctly explained, in the past California "was unwilling to give up all control."[9]

The past year has seen the formation of the independent ROWE and the passage of California Assembly Bill 825 ("AB 825"). These events are certainly welcome but establish only the building blocks for changing decision-making responsibility over certain aspects of EDAM. Exactly how this decision-making responsibility will change remains very much in the air:

- AB 825 *authorizes but does not require* the California ISO to participate in an electricity market governed by an independent entity such as ROWE. Moving forward necessarily requires a division of responsibility that is acceptable to the California ISO and its Board.
- AB 825 further requires the CPUC to approve any participation in EDAM by its major utilities. The CPUC only recently initiated its proceeding to determine whether it will grant this authorization, which may or may not be complete in time for a January 1, 2028, transition. And under AB 825, the CPUC retains the authority to direct California utilities to withdraw from EDAM at any point in the future.
- The specific delineation of responsibilities has been deferred to a future coordination agreement between ROWE and the California ISO. This includes critical issues such as: whether a rule is under the exclusive authority of ROWE or of the California ISO, or is shared; when the California ISO may decline ROWE direction; termination; and any ROWE role in selecting the California ISO's CEO, markets officers, or head of market monitoring, on which ROWE is proposed to have "non-controlling" input at most.[10] To Powerex's knowledge, no drafts of this agreement have been published, nor has the California ISO made any commitments regarding what it will accept.

The scope over which ROWE will exercise its independent authority is therefore still subject to active negotiation, the results of which will not be known for some time. As a practical matter, the scope of

[8] AB 825 (Stats. 2025, ch. 116), adding Pub. Util. Code § 345.6(a)(8), (b)–(d); Pub. Util. Code § 345.5(a).

[9] Pathways Initiative Launch Committee, Step 2 Final Proposal (Nov. 15, 2024) ("Step 2 Proposal") at 2.

[10] Step 2 Proposal at 3, 5, 19–21, 24–26; Briefing Book, *infra* note 13, Ch. 1 at 2, Ch. 3 at 21–22, 25, 28, Ch. 9 at 105, 118. The Joint Report, *infra* note 17, does not mention ROWE.

ROWE's authority will largely depend on what the California ISO and its Board agree to in the coordination agreement with ROWE.

There are additional reasons to expect that the California ISO will continue to have significant and disproportionate influence over EDAM, even after a transfer of tariff authority to ROWE. In particular:

- **ROWE cannot replace the market operator.** AB 825 conditions California's participation on the California ISO continuing to operate the markets, and the Launch Committee acknowledges that ROWE "would have little to no recourse" to select another operator. The California ISO will continue to implement and operationalize the market rules and take operator actions, with no clear mechanism for ROWE to ensure this is free of influence or preference for California interests. The California ISO will not be merely a vendor providing services requested by ROWE.[11]
- **California ISO staff will continue to have a lead role in developing proposals that come before ROWE for approval.** ROWE's proposed budget calls for minimal staff, including a single stakeholder manager and one market expert. ROWE will therefore be highly dependent on California ISO staff for technical expertise, data analysis, and market monitoring.[12] When considering which market rules to change, or the specific changes to adopt, the role of ROWE may be largely confined to approving or rejecting proposals developed by California ISO staff. FERC filings would also likely rely on California ISO staff to draft language and provide any necessary affidavits or support. Given this proposed structure, it is difficult to see how ROWE would be able to consider, let alone develop or file, any market rule changes that do not have the support of the California ISO. Notably, the other potential source of deep technical market expertise—that of market participants themselves—is expressly limited by California statute to having only a non-binding advisory role in developing market rules.[13]

The current stakeholder initiative regarding EDAM congestion revenue allocation highlights the extensive influence associated with control of a stakeholder process on a critical issue. California ISO staff have framed how the issue is presented, the identification of key design principles, the development of proposed solutions, and the evaluation of whether to proceed with a given solution. This is an issue with potentially major financial consequences for entities outside California, where the impacts on entities outside California are almost entirely opposite to the impacts on California entities, and yet the California ISO will largely drive what proposal is presented for approval. At that point, it makes little difference whether the California ISO's proposal is voted on by an independent ROWE board or by the California ISO's own governor-appointed board. Ensuring durable and equitable market rules requires independence throughout the evaluation and development process, not just at the tail end of it.

Achieving fully independent governance, operation, and oversight of EDAM will require further reforms beyond those currently being implemented, or perhaps even contemplated. There is strong reason to question whether it would be realistic to expect these necessary further reforms to materialize, and

[11] Pub. Util. Code § 345.6(a)(10); Step 2 Proposal at 14, 23, 28–29; Kavulla Letter at 4, 8; see also PPC Paper, *infra* note 15, at 69–70.

[12] Step 2 Proposal at 13, 18; ROWE Board Briefing Book (Sept. 30, 2026) ("Briefing Book"), Ch. 4 at 30–32, Ch. 5 at 39–40, Ch. 6 at 49–52, Ch. 9 at 80–81, 91, 93, App. H; PPC Paper, *infra* note 15, at 57–58, 64.

[13] Pub. Util. Code § 345.6(a)(8) (conditioning authority to participate in an independently governed electricity market on that market meeting certain requirements, including a stakeholder process "designed to provide nonbinding advice"); Briefing Book, Ch. 9 at 82, 111 (stakeholder representatives lack "decision making authority," and the Board "will always retain the final say").

whether entities that join EDAM now will have sufficient influence to steer the evolution of EDAM in a direction that meets their needs. The leverage of western entities, including BPA, has been at its strongest in the past few years, as the desire to secure additional EDAM commitments has opened the door to possible concessions regarding independent governance, operation and oversight. Yet when California stood to gain the most from agreeing to governance reforms, what was put forward was a proposal for limited change, with important details that will not be clarified until well after Mr. Kavulla's stated timeframe for making a final market decision. In Powerex's view, the current ROWE proposal and trajectory may well be as independent from California influence as EDAM gets; once participation commitments are largely locked in, the prospects for further concessions by California are likely to fade.

Markets+: Sound Design And Independent Governance, With Aligned Incentives To Improve Trade Across Market Seams

Joining Markets+ presents an entirely different proposition. From Day 1, Markets+ would offer the robust stakeholder-driven design that Mr. Kavulla's letter recognizes "allowed us to collaboratively design a market from the ground up, tailored to values of Bonneville and Pacific Northwest consumer and publicly owned utilities." Markets+ will also provide a neutral market operator and a fully independent board, neither of which has any obligation to any state or group of participants.

What Markets+ will not provide on Day 1 is fully optimized trade over the market seams with EDAM, including with California. Initially, trade across market seams will likely involve market participants purchasing and selling power at each market's boundary locations, based on their expectations of prices in each market. Such activity would be subject to the rules and requirements of both markets, providing greater confidence that the benefits of trade will be allocated equitably. However, work will be needed in the years ahead to expand and optimize this market-to-market trade.

Expanding efficient trade between Markets+ and EDAM will require collaboration between both markets. This is highly likely to occur, however, since doing so provides benefits to participants in both Markets+ and in EDAM. California, in particular, may have more to gain from efficient market-to-market trade than most: its retail rates are the highest in the continental United States, and efficient trade with the Northwest presents a major opportunity to lower them.[14] There is already strong support and alignment from all corners for improving coordination on market-to-market seams, and FERC has made it clear it expects this to be a priority for both Markets+ and EDAM.[15]

The joint report filed with FERC on September 30, 2026, by the California ISO and SPP is a concrete start. The California ISO and SPP say they are "aligned on the objectives" and commit to six near-term goals, working on a framework for jointly impacted constraints, and pursuing a longer-term framework for market-to-market transactions.[16] The joint report also acknowledges that the key issues "cannot be resolved solely through an agreement between the two market operators," and will require the input and participation of transmission providers and balancing authorities. BPA, as both a transmission provider

[14] Public Power Council ("PPC"), BPA's Day-Ahead Market Choice (Aug. 31, 2026) ("PPC Paper") at 7, 80 (citing EIA 2024 retail price data).

[15] Western Seams Coordination, 196 FERC ¶ 61,032, at P 11 (2026) (July 16 Order); FERC Staff, Seams Coordination in the Western Interconnection, Docket No. AD26-10-000 (Nov. 21, 2025).

[16] California ISO and SPP, Joint Report, Docket No. AD26-10-000 (Sept. 30, 2026) ("Joint Report") at 3–4, 34, 40–42, 44.

and balancing authority, would have a direct role in the coordination of seams between Markets+ and EDAM.

The growing momentum for constructive collaboration on market seams has direct implications for the interpretation of the production cost analyses offered by E3, Brattle, and other firms. It has been acknowledged, including as recently as BPA's workshop on September 22, 2026, that the results of these studies are largely determined by the assumptions regarding how trade across market seams is represented in the models. With diligent effort and collaboration by all parties—which all entities have an inherent interest in supporting—the efficiency of transactions across market seams can be maximized, diminishing the production cost implications of each entity's individual market choice.

Conclusion

The choice between EDAM and Markets+ is a "generational decision." It should be judged not just on what each market delivers on Day 1, but also—and perhaps more importantly—on which path is more likely to give BPA both efficient trade with California and a fair share of the value of that trade for its customers.

Neither market, as initially designed, provides both. EDAM would optimize trade between BPA and California on Day 1, but under an initial design that is problematic for BPA and Northwest entities, and one that weakens BPA's ability to recover its transmission revenue and to be fairly compensated for its hydro-based supply. Markets+ would provide BPA an equitable share of the value of its trade with other Markets+ participants from Day 1, built on a robust stakeholder-driven design, a neutral market operator, and a fully independent board. But trade with California would occur across market seams that are not initially optimized. Each path relies on future improvements to achieve the second goal.

The alignment of incentives suggests those improvements are far more likely in Markets+. Changes to rules affecting who receives the benefits of trade over EDAM's internal seams are a zero-sum proposition, and can be expected to face opposition, just as they have in the past. The current proposal for an independent ROWE, with the California ISO still operating the market and largely leading evaluation and development of market rules, may well be as independent from California influence as EDAM gets. By contrast, expanding trade across market seams is not zero-sum. It benefits participants in both markets, giving stakeholders on both sides strong incentives to find solutions.

In Powerex's view, Markets+ is therefore the most promising long-term path for entities outside California, including BPA, to fully realize the value of trade with California. Powerex remains committed to joining Markets+ and believes it continues to be the right choice for BPA as well. More broadly, Powerex believes Markets+ will provide a durable counterbalance to EDAM in the region, supporting resolution of regional issues through negotiation between two peer market operators with comparable expertise and capabilities.