



# Northwest Public Power Market Perspectives and Outlook

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# Public Power Council Overview

- Since 1966, PPC has helped consumer-owned NW utilities have a unified voice on key energy issues
- PPC represents more than 100 public power entities across 6 states – very small to very large
- Our members have a legal and historic first right to delivered federal power at cost
- We focus on the FCRPS and the Bonneville Power Administration at the regional and federal levels
- Affordability, reliability and preservation of value are core to our mission



# **Public Power Support for NW Markets: How Did We Get Here?**

# Historical NW Public Power Market View

Historically, the risks/barriers with market participation outweighed the benefits for much of Northwest public power.

## ■ Benefits:

- Seen as limited due to robust and reliable federal transmission and generation system funded by PPC members

## ■ Risks:

- Scope of market options (RTO too far for first step).
- Historically, governance options not sufficiently independent to justify loss of autonomy
- Lack of equitable compensation for federal resources
- Exposure to different standards of resource planning
- Respecting preference rights in an organized market

Benefits



Risks

# What were our basic needs in a market?

As we stepped back and looked at what public power was looking for in a viable market option, it came down to these core elements:

- Continuing to provide low cost, reliable service – a hallmark of public power in the Northwest
- A strong, independent governance structure – the robustness of that structure must be comparable to the scope of the market
- Protecting public power's preference rights to the federal system (both power and transmission assets)



# What about today?

## Some Things Have Changed:

- Multiple market participation options, including different governance frameworks.
- West has had some success with WEIM and WEIS and continues to pursue incremental offerings.
- Increased resource and transmission scarcity.
- Increased integration of intermittent resources.
- State environmental goals.
- State mandates to work towards organized markets.

## Some Things Have Not Changed:

- Importance of governance and local control.
- Importance of the value of the federal assets to preference customers.
- Transmission cost allocation challenges.
- Consumer Owned Utilities and BPA require special considerations:
  - Not FERC-jurisdictional
  - BPA statutes



# Clearing the Barriers to Market Participation

The opportunity to design Markets+ with the broader West resulted in a design that cleared historical barriers to market participation

- Scope of market options (RTO too far for first step).
  - West has settled on an incremental approach.
- Historically governance options were not sufficiently independent.
  - SPP Markets+ offers independent governance where no participating entity has superior rights or protections than others. Stakeholders collectively decide priorities.
- Lack of equitable compensation for FCRPS.
  - Markets+ has adopted standard market design features that will provide equitable compensation for flexible, firm, clean resources like the FCRPS.

# Clearing the Barriers to Market Participation

The opportunity to design Markets+ with the broader West resulted in a design that cleared historical barriers to market participation

**(continued...)**

- Exposure to different standards of resource planning.
  - Markets+ requires participation in WRAP.
- Respecting preference rights in an organized market.
  - Markets+ market design ensures that public power will continue to receive the value associated with their preference rights.



# PPC Day-Ahead Market Perspectives

# Opportunities of a Day-Ahead Market

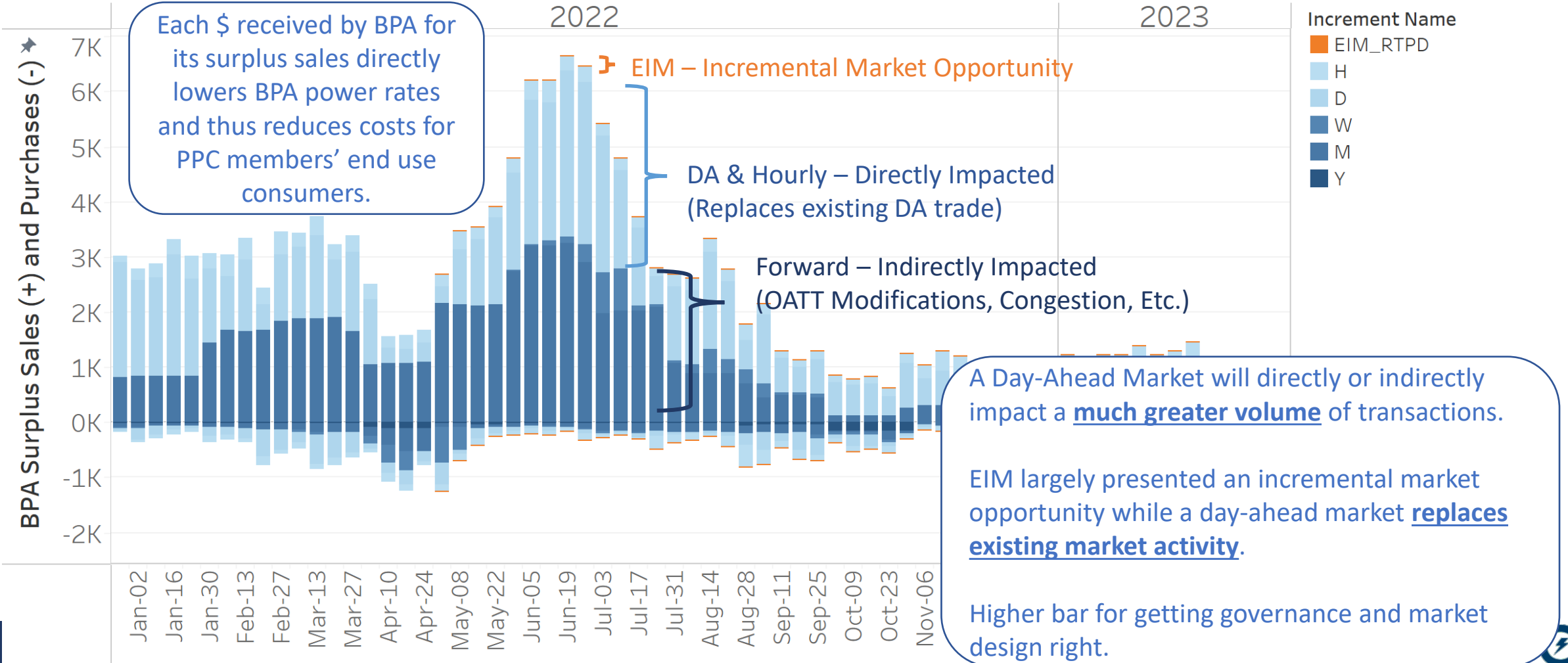
**PPC members are interested in pursuing day-ahead markets that will:**

- 1) Lower costs for their retail customers
- 2) More efficiently utilize the transmission system
- 3) Facilitate the integration of additional renewable resources



# A Day-Ahead Market is a Significant Step

## BPA Surplus



# What's at Stake

- **Numerous studies indicate a regional organized day-ahead market can achieve significant aggregate cost savings.** The way these aggregate benefits are allocated across a diverse set of market participants, regions, and consumers depends critically on governance and market design.
- **PPC views market selection as a choice with effects that will last decades.** We believe the long-term cumulative impacts of governance and market design to outweigh other elements such as footprint.
- **Taking the holistic view:** Markets are dynamic and constantly evolving to meet operational and regulatory needs. The long run impacts of fair governance will have a significant value that isn't easily or readily quantifiable, but real.

# Looking Forward

- Public power's support of day ahead markets is a significant shift that will facilitate greater efficiency in the West.
- PPC will continue to support of BPA's Markets+ implementation efforts.
- There will be two markets in the West and PPC is turning our focus to reducing friction between those markets.
  - We respect the importance of each entity making their own market decision and we will continue to seek additional coordination to facilitate regional trade.

# Looking Forward (continued...)

- **It's critical that entities work to facilitate markets or programs they may not be participating in.** Without mutual coordination and accommodation, protectionary OATTs or policies intended to force participation in a given program will ultimately harm end-use consumers and undermine regional reliability.







# Thank You

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# Appendix

# Compatibility with Statutes

- BPA's participation in any day-ahead organized market must be consistent with BPA's statutes.
- **A day-ahead market design must ensure public power can receive the value associated with attributes of the federal system, including:**
  - **Firmness of power supply**
  - **Certainty of delivery**
  - **Environmental attributes**

# Independent Governance

- **PPC has identified the need for durable, representative and independent governance that does not unduly discriminate against or favor specific market participants.**
- The threshold for independent governance is higher for a day-ahead market because of the greater magnitude of trade volume and impacts from participation.
- Markets+ offers independent, stakeholder driven governance with large roles for participants and stakeholders in decision-making. The Markets+ specific governance is added onto an existing independent structure serving a multi-state footprint.
- While supportive of improvements the CAISO GRC was able to make, PPC remains concerned with the statutory underpinnings of CAISO's current governance. PPC also remains concerned about CAISO's dual roles as a market participant and market operator.

# Equitable Allocation of Benefits

- While largely expected to produce footprint-wide benefits, differences in market design elements such as price formation can significantly affect the allocation of organized market benefits between a wide range of potential buyers, sellers, regions, and resources.
- **Interests need to be balanced between loads and resources.**
  - BPA and many PPC members are sellers now, but position is uncertain in the long-term.
  - Accurate price signals will result in best market outcomes.

# Price Formation & Equitable Compensation

- PPC Supports price formation consistent with other ISO/RTOs including:
  - Fast Start Pricing
  - Explicit compensation for flexible capacity
  - Scarcity Pricing
  - Market Power Mitigation that reflects hydro opportunity cost
- These market design elements can have significant financial impacts on NW entities. The Energy GPS study on Fast Start Pricing found the lack of Fast Start Pricing costs the PNW **\$100 Million - \$200 Million annually<sup>1</sup>**.
- BPA directly passes surplus market costs and revenues to customers. This means **ultimately PNW public power rate payers are harmed or benefited by good or poor market design.**