ADVANCED ENERGY UNITED™

Maren Mahoney, Director
Arizona Governor's Office of Resiliency
100 N 15th Avenue, Suite 302
Phoenix, AZ 85007

David Hochschild, Chair
California Energy Commission
715 P Street
Sacramento, CA 95814

Will Toor, Executive Director
Colorado Energy Office
1600 Broadway, Suite 1960
Denver, CO 80202

Richard Stover, Administrator
Idaho Governor's Office of Energy and Mineral Resources
304 N 8th Street, Suite 250
Boise, ID 83720

Chris Dorrington, Director
Montana Department of Environmental Quality
1520 E 6th Avenue
Helena, MT 59601

Dwayne McClinton, Director
Nevada Governor's Office of Energy
600 E William Street, Suite 200
Carson City, NV 89701

Sarah Cottrell Propst, Secretary
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505

Janine Benner, Director
Oregon Department of Energy
550 Capitol Street NE, 1st Floor
Salem, OR 97301

Gregory Todd, Director
Utah Office of Energy Development
288 N 1460 W, Suite 400
Salt Lake City, UT 84116

Michael Furze, Asst. Director
Washington State Department of Commerce, Energy Division
1011 Plum St SE
Olympia, WA 98504

Rob Creager, Executive Director
Wyoming Energy Authority
1912 Capitol Ave, Suite 305
Cheyenne, WY 82001

December 4, 2023

Dear Western Energy Office Leaders and Staff,
We are writing in regard to a study commissioned by the Western Markets Exploratory Group (WMEG) that compares the benefits of two proposed day-ahead market scenarios. The study has been filed in multiple dockets in states across the West, and as this comes up in your state, we urge you to approach the conclusions in this study carefully. The study offers an incomplete view of the benefits that can accrue to the West under one or more day-ahead market scenarios.

Southwest Power Pool (SPP) and the California Independent System Operator (CAISO) have both put forward proposals for day-ahead markets that could serve some or all of the West: CAISO's Extended Day-Ahead Market (EDAM) and SPP's Markets+. The WMEG study compares various scenarios of WMEG utilities participating in one or the other of the day-ahead markets. The study also assumes that no utility currently part of CAISO will join Markets+, meaning that Markets+ is automatically limited in size and will not contain the biggest load center in the West. The study concludes that Markets+ is a better deal for some of the utilities, but it misses a few critical elements in the analysis.

As you review the study, here are four things to keep in mind:

- **WMEG is made up of utilities. As a result, the study naturally focuses on what's best for those utilities and presents the results in that light.** The study does not take into consideration many other potential benefits of a day-ahead market, such as shoring up energy reliability, getting more clean energy onto the grid, and addressing energy affordability, especially as inflation and higher fuel prices drive up electricity bills. The utilities curiously only presented the study's modeling results for one year, 2026, even though the study extends to 2035. And, as might be expected, the study makes some major assumptions favorable to the WMEG members—notably that energy utilities in different markets will still be able to trade easily, despite the experience across the country that market "seams" are a major barrier to trade and drive up costs for consumers.

- **The study only considers utilities' *operational* savings, thus missing out on a category of benefits that are far greater: the *capacity* savings that accrue over time from coordinating reliability reserves and optimizing resource and transmission development across a wide footprint.** This is critical context: the study examines only what utilities will save as part of their day-to-day operations and ignores the savings that the utilities—and as a result their ratepayers—will see as a result of being able to access more energy resources across a larger grid footprint. This is a massive oversight. Most of the savings associated with regional markets come from the ability to draw on a diverse portfolio of cheaper, cleaner, and more reliable resources across a broad geographic region, not from nominally lower grid operating costs.

- **The impact the study did find is small** compared to the benefits it omitted, and tiny compared to the overall electricity system. The study admits the benefits it omitted are 2-10 times greater than the impact it studied, and among the smaller set of impacts it studied, the effect was 0.6-2.3%. In fact, the consultants who conducted the study themselves said: "Because dispatch-related benefits are relatively modest, it is more likely that other benefit types are key determinants in whether one or the other market options available to WMEG members is more beneficial overall."

- **Research shows that regional collaboration across the broadest footprint in the West would create better grid reliability, lower electricity bills, and bring hundreds of thousands of jobs.** In July 2022, Advanced Energy United published a study by Energy Strategies and Peterson & Associates, building on the 2021 State-Led Market Options Study, that shows joining a regional market inclusive of all states in the West could generate huge benefits across the region, such as more than 600,000 new jobs and $2 billion in savings every year. The State-Led Market Options Study also showed that a smaller market footprint, or two markets, will result in reduced benefits.

This last point is critical: the biggest dividends will come when states collaborate across the broadest possible geographic footprint. While a handful of utilities will save a little money on operational costs under the Markets+ scenario, cutting some states out of the mix is overall a losing proposition for the West—and it will hurt no one more than ratepayers.

We encourage you, as state leaders, to put your ratepayers and your state policy goals first in considering the choice to join a day-ahead market.

If you have questions or would like to learn more, we'd be happy to speak further. Please reach out to me at lrubinshen@advancedenergyunited.org.

Respectfully,

Leah Rubin Shen, Managing Director
Advanced Energy United