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Mr. Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket U-240537 - Avista's Comments on the Commission's Notice of Recessed Open Meeting in the Matter of Day-Ahead Markets

Dear Mr. Killip,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Recessed Open Meeting issued in Docket U-240537 on July 12, 2024, regarding the "Day-Ahead Markets".

1. Has your utility made a decision about joining a day-ahead market? If so, please explain the rationale for that choice?

Response: No, we have not. Avista remains neutral on joining a day-ahead market and/or which day-ahead market offering would be most beneficial to our customers. We believe there is more of a business risk in making a premature decision before market design specifics have been finalized and before SPP's Market+ offering has been approved by FERC.

2. If your utility has not already made a decision on joining a day-ahead market, what is your utility's decision timeline for joining such a market?

Response: Avista hopes to engage consultants in the near future for assistance in conducting further studies to help best inform our decision for joining a day-ahead market. Ideally, we would like to have a decision made (if we were to join such a market, and/or which market is preferred) in early 2025, however, we believe the best strategy for Avista customers is to wait until more information is available. At this point we are not considering being a participant of either market at their proposed inception/go-live dates.

3. If your utility has already made a decision about joining a day-ahead market, please provide an update as well as any additional information available about costs, etc.

Response: Not applicable.

4. What is the most significant barrier to making a determination?

Response: There is not a single significant barrier that will drive our decision. The key factors that we will consider in making our day-ahead market decision include independent governance, market design specifics like price formation, FERC Open Access Transmission Tariff approval, cost to join/implement day-ahead markets versus expected benefits, potential market liquidity impacts, which markets adjacent Balancing Authorities decide to join, greenhouse gas (GHG) accounting, and transmission capacity/transfer availability.

5. If your utility has not already made a decision on joining a day-ahead market, what metrics are being used to assess whether or not to join a day-ahead market and to decide which market to join?

Response: Avista is actively following both the CAISO EDAM and SPP Markets+ initiatives and working groups, as well as independent/third-party commentary and analysis on both market offerings to best stay informed. The Company is evaluating the cost and benefits of joining a day-ahead market to ensure customers benefit from Avista's participation. The Company is also considering the overall market footprint to ensure adequate load and generation diversity. Finally, Avista is evaluating key market design elements including price formation, transmission requirements and revenue impacts, GHG accounting, and governance.

6. If your utility has not already made a decision on joining a day-ahead market, what resources (i.e., third-party studies, internal studies) and sources of data are being leveraged to inform these decisions?

Response: Avista was a funding member/participant of the Western Markets Exploratory Group's (WMEG) day-ahead market cost-benefit study performed by external consultants E3. However, that study was performed using data and assumptions from what was known about market design as of 2022, thus we plan to engage in further third-party studies with more updated forecast data and current market assumptions. We are also evaluating available analysis that has informed other utility's decisions.

7. How will joining a day-ahead market affect customer rates?

Response: The Company is not exactly sure how customer rates will be impacted by joining a day-ahead market. We will work with a consultant to help understand the cost of joining either of the two day-ahead markets. Anticipated costs in joining a day-ahead include, but are not limited to, upfront implementation costs, market transaction fees, costs to update/change/purchase additional software, additional staffing and training costs, and potential impacts to bilateral trading opportunities and Mid-C market prices.

8. What are the operational changes expected by your utility as a result of joining either day-ahead market option?

Response: Day-ahead trading and scheduling processes/timelines will change significantly. Staff training and software/data needs will also change from current operations. If we were to join a day-ahead market, there will be required changes to Avista’s OATT and transmission service, and considerations of which Reliability Coordinator services to take.

9. What is your assessment of the current efforts of the Pathways Initiative to create a unified west-wide day-ahead market?

Response: Avista appreciates the regional support, progress, and efforts being made on the Pathways Initiative as we agree that governance is an important topic for west-wide coordination. The California legislative process and timeline is still a barrier in making tangible progress, but we continue to closely follow this Initiative.

10. What are you expecting in terms of costs and benefits of joining a market?

- a) **As all three utilities are currently participating in the California Independent System Operator’s (CAISO) Energy Imbalance Market, or EIM, if you are considering joining a different market than the CAISO Extended Day Ahead Market (EDAM), what additional costs will the utility incur by joining a different market? Are there any undepreciated or sunk costs incurred by leaving the CAISO EIM?**

Response: Currently, Avista has not determined the additional costs to switch to a different market. The Company will complete an estimate of joining either proposed day-ahead market prior to deciding which market to join. There will likely be some undepreciated costs incurred if Avista were to “disconnect” from the CAISO EIM to join Markets+, primarily associated with market software applications. If going with Markets+, the Company can reduce sunk costs by managing existing market software maintenance contracts and potentially using the same software vendors if they have Markets+ modules available. All costs will be considered when making a market decision.

- b) **What are the additional costs of remaining in the CAISO EIM and joining EDAM?**

Response: Avista’s understanding is that there would be an additional CAISO market operator transaction fee associated with joining EDAM. Other additional market costs were previously discussed in response to question 7 above. Seams and hurdle rate implications will need to be considered versus just remaining in the EIM.

- c) **What operational benefits and savings will result from joining a market? Are there projected net benefits if your utility joins a market different from the CAISO EIM and EDAM? How are you calculating these benefits?**

Response: Access to a widespread optimized footprint of resources to serve load (as opposed to just real-time imbalance in current EIM operations), is the main motivation in joining a day-ahead market. Avista’s benefits will be impacted based on the overall market footprint, diversity of load and generation resources in the market, and which market our adjacent Balancing Authorities decide to join. Having a more robust greenhouse gas market solution to help in achieving decarbonization goals (i.e., Washington's Climate Commitment Act and



the Clean Energy Transformation Act) is another perceived benefit. There are several key market design principles that Avista is evaluating to determine which market will provide the best benefits to customers. These include independent governance, price formation, GHG accounting and transmission requirements. We are also concerned with a potential loss in day-ahead trading liquidity if we were not to join any day-ahead market.

d) What staffing changes may be necessary as a result of joining a market?

Response: Potential staffing changes are unknown at this time, however, Avista will likely need additional staffing resources to assist with implementation and then ongoing additional staff due to moving from a standard day ahead trading timeline, which incorporates a typical business week structure, to a seven day per week trading and scheduling timeline. It is also likely Avista will need additional support, analytical and/or policy staff, to ensure we maximize day-ahead market benefits.

11. What changes to reliability and resource adequacy planning do you expect as a result of joining a market? Are there additional costs or impacts as a result of changing reliability coordinators? Will the utility remain committed to the Western Resource Adequacy Program regardless of which market the utility joins?

Response: Avista does not anticipate making significant changes to reliability and resource planning based on joining a day-ahead market because both market designs require participants to be resource sufficient in order to participate in the market. Participants cannot lean on the market. Avista will continue to plan its resource needs through its Integrated Resource Plan and acquire new resources through competitive processes. The markets will dispatch Avista resources based on economics, the intent of which will lead to overall market dispatch costs savings for Avista customers.

Before Avista decides on which market to join, we will evaluate the cost and other potential impacts of switching Reliability Coordinators.

Avista is committed to participating in the Western Resource Adequacy Program regardless of which day-ahead market it joins. The Company has been a strong supporter of the WRAP program from the beginning and have committed to join the binding program as soon as there is sufficient committed load and generation to ensure the program provides its anticipated value.

If you have any questions regarding this filing, please contact Scott Kinney at scott.kinney@avistacorp.com or 509-495-4544.

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy