

April 12, 2024

Barbara Sugg
President and Chief Executive Officer
Southwest Power Pool

Dear Ms. Sugg:

We, the undersigned, are a broad and diverse group of 26 western stakeholders that wish to express our support for the continued development of Markets+. Our group includes investor-owned utilities, public power utilities, a federal power marketing agency, and an international entity. Our diversity also extends geographically to the Northwest, Southwest and Mountain West regions.

We collectively appreciate the effort and process that has resulted in the filing of the Markets+ tariff, and we look forward to participating in the ongoing development of the protocols and other market details. Each of us have different requirements around our decision process regarding moving forward with participation in a day-ahead market and some of the undersigned stakeholders do not expect to make decisions about funding and joining a day-ahead market until the end of this calendar year.

The undersigned stakeholders want to highlight some of the preferred aspects of the Markets+ tariff and market design.

Independent, Inclusive and Robust Governance Structure

As a full day-ahead and real-time market, Markets+ would fundamentally reshape how energy is bought and sold in the West. For this reason, we believe it is vitally important that Markets+ have both an initial market design, and a market development process, that durably delivers fair and equitable results for all participants. We are confident that Markets+ has developed the independent, inclusive, and robust governance structure necessary to achieve this important objective.

As most of us were Phase 1 funding participants of Markets+, we have seen first-hand the benefits and importance of the Markets+ governance structure. Critically, Markets+ has had independent governance from day one, including the establishment of an interim Markets+ Independent Panel. We have also seen first-hand the benefits of inclusive, stakeholder-driven decision making, with SPP staff providing technical input and support. We believe that the Markets+ framework would provide a level playing field for participants at the outset. We are also confident in SPP's experience and track record for negotiating efficient, reliable, and equitable seams agreements.

Potential for Voluntary RTO Participation

While the Markets+ stakeholders are currently focused on the development of a day-ahead and real-time market, we also acknowledge that the Markets+ independent, inclusive, and robust governance structure potentially provides a clear path towards full RTO participation including regional transmission planning. This is beneficial for those of us that may become interested in RTO participation in the future. At the same time, Markets+ provides a durable market regardless of RTO development.

Common Resource Adequacy Program

As contemplated in the recently filed Market+ Tariff, Markets+ will require that all Markets+ participants be members of a common resource adequacy program, the Western Resource Adequacy Program (WRAP). This requirement would help ensure that there are adequate resources to reliably serve load throughout the footprint, and that such resources are installed and/or secured well ahead of market operations. It would also ensure that all market participants are equitably contributing to the reliability of the market footprint, and that no participants are systemically leaning on others.

Markets+ may also enhance WRAP's ability to deliver savings in the form of reduced Planning Reserve Margins by unlocking additional transmission transfer capability during critical hours through its flow-based approach, which is an additional economic benefit beyond production cost savings.

The WRAP requirement in Markets+ ensures that future enhancements to the WRAP could benefit the entire Markets + footprint, while avoiding the challenges that might exist if some participants were in different resource adequacy programs or none at all.

Transmission: Equitable Benefits to Customers, Strengthening Transmission Investment Incentives, and Helping Identify and Support Upgrades and Expansion

Many of the signatories also express specific support for the concept of the Markets+ design choice to deliver congestion rents to those participants with monthly or longer firm transmission rights, including both network service and point-to-point transmission rights. This congestion rent allocation mechanism has the potential to provide at least two important benefits. First, it could help ensure equitable outcomes for firm transmission customers, by providing the appropriate revenues (or hedges) to each customer on a path-specific basis. Second, it could create an appropriate ongoing investment incentive for firm transmission service, which helps protect transmission providers' main source of revenue, preventing cost shifts between customers. This Markets+ congestion rent allocation is an investment incentive that supplements the incentives provided by the deliverability requirements of the WRAP tariff.

We also recognize the growing importance of transmission upgrades and expansion, as well as the need to balance transmission investment with the costs ultimately borne by load. We believe that Markets+ could help aid in achieving this balance, by offering key pricing indicators of where transmission upgrades and expansion would be most beneficial to the Markets+ footprint. Such pricing indicators may be used in long-term transmission planning efforts at the local, regional, and even interregional planning levels, as proscribed by FERC's Order 1000 and some of the Commission's most recent Proposed Rulemakings.

Additional Customer Savings and Protections

The Markets+ tariff is designed to support reliability and help protect all Markets+ participants and their customers through multiple market design elements, including:

- A must-offer requirement ensuring resource sufficiency that supports market liquidity and reliability;
- A reliability backstop mechanism to call on additional supply offers during stressed conditions;
- GHG treatment that supports State requirements;

- A flow-based approach to transmission availability and congestion management that will address current BA-to-BA contract path seams and inefficiencies, enhancing reliability and economic benefits;
- The prioritization of load service inside the Markets+ footprint over low-priority exports; and
- The Markets+ Transmission Usage (MTU) rate which minimizes hurdle rates while helping protect transmission providers from the loss of short-term transmission revenue, mitigating the risk of cost shifts amongst customers.

We appreciate the support from SPP staff and the effort and time invested by all the stakeholders who have participated in Markets+ development to date. We are encouraged by the progress and look forward to the continued development of this exciting initiative.

Sincerely,

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| • Arizona Public Service Co. | • Modern Electric Water Company |
| • Avista Corp. | • NorthWestern Energy |
| • Benton PUD | • Pacific County PUD |
| • Bonneville Power Administration | • Powerex Corp. |
| • Chelan County PUD | • Public Service Company of Colorado |
| • Clatskanie PUD | • Puget Sound Energy |
| • Deseret Power | • Salt River Project |
| • Douglas PUD | • Snohomish PUD |
| • Franklin PUD | • Tacoma Power |
| • Grant County PUD | • Tri-State Generation and Transmission Association, Inc. |
| • Hood River Electric & Internet Coop | • Tucson Electric Power Company |
| • Idaho Falls Power | • Wells Rural Electric Company |
| • Klickitat PUD | |
| • Lower Valley Energy | |