

Western Resource Advocates (WRA)

550 West Musser Street, Suite G, Carson City, NV 89703-4997 – 775-430-4633

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation regarding regional market)
activities in the western interconnection) Docket No. 23-10019
relevant to Nevada utilities’ obligations)
pursuant to NRS Chapter 704.)
_____)

COMMENTS OF WESTERN RESOURCE ADVOCATES

I. Introduction

Western Resource Advocates (WRA) hereby files its comments and responses to the questions posed by the Nevada Public Utilities Commission (Commission) in its procedural order issued January 23, 2024, in this docket. We applaud the Commission for taking an active role in regional wholesale market development through the opening of this docket. Broader regional market development will leverage diversity in geography, loads, and resources to drive significant economic savings for the state’s electric utilities and Nevada customers. It will secure more reliable, affordable, and cleaner power for Nevada families and businesses while also driving in-state economic development.

WRA is a non-profit conservation organization dedicated to protecting the land, air, and water of the West. WRA’s Clean Energy Program advocates for a western electric system that provides clean, affordable, and reliable energy, one that reduces economic risks, and protects the natural environment. We are thankful for the opportunity to provide our perspective on the implementation of the statutory requirement, pursuant to NRS 704.79886, for the state’s transmission providers to join a regional transmission organization (RTO) by 2030.

1 It is important to note that the Western grid is in a state of market transition and significant
2 transformation. There are two established regional energy imbalance markets in the West and
3 two regional day-ahead markets in development, with one's tariff already approved by federal
4 regulators and another filing its tariff soon. Beyond the day-ahead market developments, there
5 are also active discussions among utilities and stakeholders across the region on the development
6 of an RTO.

7 The Commission has posed important questions in its procedural order, with queries on the
8 process and criteria the Commission should utilize to implement the state's RTO statute for NV
9 Energy. Getting the process and criteria right for RTO membership by the state's transmission
10 providers is key to ensuring that the Commission's evaluation of requested RTO membership
11 will maximize economic and environmental benefits for Nevada families and businesses and
12 advance the state's clean energy goals.

13 Toward that end, WRA recommends that the Commission explore and adopt a thorough
14 process that transparently evaluates any decision regarding whether a transmission utility's
15 application to join an RTO is in the public interest of Nevadans. The process we recommend is
16 described more fully below in subsequent sections. Additionally, we provide recommendations
17 on information that should be provided by a transmission provider requesting RTO membership
18 and criteria to be utilized by the Commission to evaluate such requests. The information and
19 criteria subject areas include: 1) counterfactual analysis of costs and benefits, 2) reliability, 3)
20 governance, 4) seams, 5) greenhouse gas (GHG) accounting, 6) market monitoring, and 7)
21 reporting.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

II. Responses to Commission Questions

1. **Should NV Energy's request for approval to join an RTO be predicated on joining or otherwise include joining a day-ahead market?**

While NV Energy's request for approval to join an RTO does not need to be predicated on joining a day-ahead market, key differences between the two types of markets require clarification. Additionally, depending on a market's structure for governance, resource pricing, dispatch, and transmission access, NV Energy can harness substantial benefits in joining a day-ahead market before joining an RTO. WRA supports an incremental approach to wholesale markets, with a West-wide RTO having the greatest potential to maximize energy and economic benefits for customers and ratepayers alike.

A day-ahead market for wholesale electricity balances forecasted supply and demand in its footprint, allowing participants to trade wholesale electricity up to one day in advance of the operating day. Day-ahead markets benefit participants through increased planning and efficiency by signaling which generators need to be turned on for the next day's operations. Day-ahead markets, in optimizing transactions among participants across the region, can create significant reliability and economic efficiencies. They do this by prioritizing the lowest cost dispatch of electricity (including reliability constraints) to meet demand, facilitating enhanced regional visibility into the degree of transmission congestion and availability of generators or transmission across the market footprint, and increasing the potential for reduction of curtailments through greater access to geographically diverse renewable resources through the market.

A day-ahead market does not fully centralize grid operations like an RTO. In an RTO, the market operator can serve as the sole transmission provider and operator for the market footprint, and transmission assets are managed through cost-allocation mechanisms. While a day-ahead

1 market can include some transmission planning agreements among participants to ensure
2 predictable access to transmission assets, current transmission operators maintain their existing
3 functions and responsibilities for transmission planning, including participation in regional or
4 subregional transmission planning groups. Further, an RTO is run by a single market operator
5 and consolidates balancing authorities such that the market operator is responsible for balancing
6 supply and demand across the whole market footprint. This consolidation can enhance data
7 collection and market performance if the market structure is designed in a transparent manner.
8 In a day-ahead market, the participating balancing authorities maintain their existing duties.
9 Finally, an RTO includes a common resource adequacy standard.¹ In a day-ahead market,
10 participants are expected to have resource-sufficiency requirements to ensure they can participate
11 in the market, but they otherwise maintain their own resource adequacy procedures and
12 requirements, or any agreed upon joint resource adequacy framework.

13 Through fully centralized grid operations, an RTO maximizes the planning for transmission
14 and resource adequacy, efficiency, reliability, and cost savings benefits of a wholesale electricity
15 market. The legislature anticipated these benefits when it provided that “except as otherwise
16 provided ... the Commission shall require every transmission provider in this State to join a
17 regional transmission organization on or before January 1, 2030.”² However, while an RTO is
18 ultimately required as an ideal “end-state” to achieving reliable decarbonization with
19
20

21
22 ¹ Public Generating Pool, Organized Markets Retrospective, October 2021, pp 14-15, at
23 [https://static1.squarespace.com/static/5e9fc98ab8d9586057ba8496/t/618e659a11c58b644b0cfaca/1636722079829/
PGP+Organized+Market+Retrospective+Full+Report.pdf](https://static1.squarespace.com/static/5e9fc98ab8d9586057ba8496/t/618e659a11c58b644b0cfaca/1636722079829/PGP+Organized+Market+Retrospective+Full+Report.pdf)

24 ² NRS 704.79882 (2021).

1 affordability, a day-ahead market does offer, enhanced benefits over status quo grid operations
2 in the Western Interconnection.

3 An RTO maximizes benefits, but WRA supports an incremental approach to wholesale
4 markets by joining a day-ahead market prior to joining an RTO. Day-ahead markets offer more
5 advanced planning and greater efficiency than real-time energy imbalance markets, such as the
6 California Independent System Operator's (CAISO) Western Energy Imbalance Market (WEIM)
7 and the Southwest Power Pool's (SPP) Western Energy Imbalance Service (WEIS), which have
8 already demonstrated substantial cost savings and decarbonization benefits in the West. For NV
9 Energy, the cost savings in the fourth quarter of 2023 from its WEIM participation amounted to
10 over \$22 million.³ Additionally, day-ahead markets can serve as a valuable opportunity for
11 utilities to access key reliability and production cost benefits while simultaneously commencing
12 work on key issues that must be addressed to join the fully centralized operations of an RTO,
13 such as transmission cost allocation for new transmission investments and planning, GHG
14 accounting and reporting, and independent governance. This additional time to evaluate an RTO
15 can aid in ensuring that any RTO NV Energy joins is transparent and will deliver expected
16 benefits. Once a utility joins one RTO, departing that RTO to join another will incur substantial
17 costs. Two day-ahead markets will likely be available for utilities in the West to join in 2025-
18 2026. In December 2023, the Federal Energy Regulatory Commission (FERC) approved the
19 CAISO Extended Day-Ahead Market (EDAM)⁴ for the Western Interconnection. The SPP
20 Markets+ day-ahead market initiative is expected to file its tariff to FERC in Spring 2024. Both

21
22
23 ³ CAISO, Western Energy Imbalance Market Benefits Report Fourth Quarter 2023, January 31, 2024, pp 3, at
<https://www.westerneim.com/Documents/iso-western-energy-imbalance-market-benefits-report-q4-2023.pdf>.

24 ⁴ Federal Energy Regulatory Commission, Docket No. ER23-2686-000, 185 FERC ¶ 61,210, December 20, 2023.

1 day-ahead market and RTO participation necessitate careful evaluation to maximize benefits, and
2 there is planning and cost savings value in joining a day-ahead market in 2025-2026 before
3 joining an RTO by 2030.

4 **Recommendation**: While NV Energy’s application to join an RTO need not be predicated
5 on joining a day-ahead market, WRA recommends a thorough evaluation of day-ahead market
6 options and an incremental approach to organized wholesale market participation. Day-ahead
7 market entry can create a path-dependence trajectory that can have significant ratepayer benefits
8 or costs, which include entry and exit factors. This consideration should include key public
9 interest principles for an effective market: transparent and independent governance and market
10 performance, efficient and fair market pricing rules, flow-based transmission asset allocation,
11 and robust GHG accounting to address leakage. As described in detail in our response to the
12 Commission’s second question, the Commission should consider these public interest principles
13 to evaluate any application by NV Energy related to participation in a day-ahead market. The
14 Commission should additionally promulgate new rules for a robust evaluation process for NV
15 Energy's application to formally join an RTO by 2030 or a request for delay or waiver.

16 2. **Should any request by NV Energy pursuant to [question #1] above be filed pursuant to the**
17 **IRP process outlined in NAC 704.9005 through NAC 704.9525, or pursuant to other**
18 **sections of the Commission's regulations? Please specify the appropriate section(s) for**
19 **such an application to be filed pursuant to. Does the Commission need to promulgate new**
20 **regulations to facilitate such a request?**

21 The Integrated Resource Plan (IRP) process⁵ should not be the basis or avenue for evaluating
22 a transmission provider’s decision to join, or not join, an RTO. While future IRPs should
23

24 ⁵ NAC 704.9005 - 704.9525.

1 incorporate any active or intended market participation in planning, the IRP process is not suited
2 to evaluate the criteria in the RTO statute⁶ and should not be used in the Commission’s evaluation
3 process to implement the RTO statute. For instance, the statutory definition of an RTO that
4 Nevada utilities must join by 2030 requires an evaluation of an RTO under a number of criteria
5 including whether the RTO: effectuates separate control of transmission and generation facilities;
6 improves service reliability within the states; has a structure of governance that is independent
7 of the users of the transmission facilities; operates under policies that promote positive
8 performance designed to satisfy the electricity requirements of customers; has an inclusive and
9 open stakeholder process; promotes and assists in new economic development in the state; and
10 minimizes system congestion and addresses real and potential transmission constraints.⁷ These
11 are intended to be fact-based determinations by the Commission that are outside the scope of the
12 IRP process.⁸ Market participation requires thorough evaluation to ensure it meets the elements
13 of the statute and provides expected benefits to Nevadans, and therefore justifies a distinct
14 process.

15 As such, WRA recommends that the Commission establish a process and criteria rules to
16 implement the statute regarding entry into an RTO. Additionally, WRA recommends that NV
17 Energy request Commission approval to join a day-ahead market and the Commission’s review
18 of such an application be predicated on a set of guiding principles which are a basis of review in
19

20
21 ⁶ NRS 704.79882 (2021).

22 ⁷ *Id.*

23 ⁸ In Docket No. 14-04024 the Commission approved the Application of NV Energy to participate in the energy
24 imbalance market. While the evaluation in that docket was pursuant to NRS 704.741 and NAC 704.95043
(amendments to the Energy Supply Plan), the Energy Supply Plan statutory and rule language does not
contemplate evaluation and approval of the criteria in NRS 704.79882 (2021).

1 any proceeding to support day-ahead market entry. WRA’s recommended day-ahead market
2 principles and evaluation metrics, and the RTO statute implementation rule framework process
3 follow.

4 **A. Day-Ahead Market Participation.**

5 WRA supports the following key guiding principles as part of a Commission evaluation of
6 a day-ahead market. The day-ahead market should:

- 7 • Facilitate automated and optimal dispatch of energy, expanding beyond energy
8 imbalance markets.
- 9 • Ensure all market transactions are transparent, accessible, and fair.
- 10 • Promote optimal and efficient scheduling of resources and transmission assets.
- 11 • Capture benefits of emission reductions and reductions of renewable resource
12 curtailments.
- 13 • Provide flexibility to promote diversity of resources and allow for ease of entry for
14 newer market participants without compromising the reliability needs of the Western
15 Interconnection.

16 WRA recommends the Commission consider four evaluation metrics in evaluating NV
17 Energy's proposed entry in a day-ahead market:

18 **1. Governance.**

19 The governance structure of a market must be evaluated to determine if the market can
20 adequately incorporate the public interest and to appropriately leverage all stakeholder input to
21 achieve maximum market efficiency. WRA recommends the Commission consider the following
22 principles for good governance: an independent board; transparency and accountability;
23 meaningful, fair, effective, and diverse stakeholder engagement; a significant role for
24

1 commissioners and others who represent the public interest; an autonomous day-ahead market
2 board with clearly defined rules establishing the relationship between the day-ahead market
3 board and any RTO board; and adaptability.

4 **2. Net costs and benefits of market entry versus risks of maintaining status quo.**

5 The Commission should consider an analysis that would address the reliability, economic,
6 and environmental benefits from NV Energy’s entry into a day-ahead market. Such an assessment
7 of the transfer of net benefits from wholesale transactions to retail customers should go beyond
8 the Western Markets Exploratory Group (WMEG) study, which had significant limitations.⁹
9 Such an assessment should include the opportunity costs of maintaining the status quo of NV
10 Energy’s need to coordinate with thirty-six other Balancing Authorities for grid reliability,
11 transmission and generator availability, and resource sharing under extreme weather conditions.

12 **3. Optimal market rules for pricing of resources, transmission access and congestion**
13 **management, and GHG accounting.**

14 These three elements must be evaluated as the cornerstone to an operational day-ahead
15 market that facilitates compliance with state policy and delivers expected benefits.

16 **4. Transparency of reporting of market performance and market power mitigation.**

17 To ensure Nevada ratepayers get the maximum benefits of joining a future RTO, any day-
18 ahead market participation must include robust, granular, and periodic reporting of market
19 performance including resource pricing, dispatch, transmission utilization, emission reductions
20 and clean energy curtailments, and locational marginal pricing data. Additionally, the market
21

22 _____
23 ⁹ GridLab, WMEG Factsheet, at https://gridlab.org/wp-content/uploads/2024/01/GridLab_WMEG-FactSheet.pdf.
24

1 monitor should measure market power, or the ability of suppliers to profitably raise the market
2 price of energy over marginal costs, to mitigate market power and ensure no market participants
3 or market structure issues are manipulating the market. Market power can create economic
4 inefficiencies and deadweight loss, resulting in increased costs to ratepayers. Finally, the utility
5 must report robust market performance data to the Commission that is accessible to intervening
6 stakeholders to foster transparency and trust.

7 These guiding principles and evaluation metrics should be integrated into any proceeding
8 related to joining a day-ahead market, whether it be through the IRP process, as was the case in
9 2014 with an application to join the WEIM,¹⁰ or any other type proceeding. In 2013, NV Energy
10 stipulated to procuring the Commission’s approval before joining the WEIM.¹¹ It should likewise
11 agree here, and Commission precedent dictates, that NV Energy should procure Commission
12 approval before joining a day-ahead market.

13 **B. RTO Participation**

14 The Commission should separately promulgate rules¹² to define the contents and criteria for
15 NV Energy’s application to join an RTO, or evaluation of a request for delay or waiver. WRA
16 recommends the rules include the following three-step process:

19
20 ¹⁰ Docket 14-04024, Joint Applications for Amendments to Energy Supply Plans, April 16, 2014.

21 ¹¹ Docket No. 13-07021, Order dated December 17, 2013, at paragraph 24 (In its order approving the stipulation in
22 Docket No. 13-07021, in which the Commission stated: “Additionally, the second sentence shall be interpreted to
mean that the Nevada Utilities are not precluded from participating in an energy imbalance market or in a market
dispatched by an independent system administrator or operation or regional transmission organization, **if they
obtain authorization from the Commission prior to participating.**” (emphasis added)).

23 ¹² NRS 704.79886(1) (2021). (“[T]he Commission shall require every transmission provider in this State to join a
regional transmission organization on or before January 1, 2030.”) The Commission can promulgate rules under its
24 rulemaking authority to implement the statutory directive to require every transmission provider in the State to join
an RTO by 2030.

1 **Phase One:** Establishing Commission and stakeholder meetings for NV Energy to inform
2 and respond to questions from the Commission and stakeholders on recent market developments
3 in the West as needed for a full vetting of potential RTO options. This includes any expected
4 steps and timelines for market entry and updates on the information described in response to
5 Question 3 below. The broadly stated objective would be to gather all relevant information and
6 move toward consensus on major issues, particularly factual matters.

7 **Phase Two:** Establishing a process to determine whether a proposed RTO tariff filed at FERC
8 will meet the objectives of the RTO statute. This phase proposes that the Commission decide
9 whether an RTO meets the statutory requirements in a declaratory order proceeding. This is a
10 necessary step not only in evaluating entry into a market that constitutes an RTO as defined by
11 Nevada law, but also in evaluating criteria for a request for a waiver or delay.¹³

12 **Phase Three:** Establishing the process and criteria for evaluating NV Energy’s formal
13 application to join an RTO to adjudicate whether the terms and conditions under which NV
14 Energy plans to join the RTO meet the statutory requirements. That application would undergo
15 a full vetting through the testimony by witnesses for the Utility, Regulatory Staff, Bureau of
16 Consumer Protection, and other interested stakeholders, all subject to cross examination and
17 questions by the Commissioners and advisory staff during a hearing.

18 **Recommendation:** WRA recommends the above guiding principles and evaluation metrics
19 for future proceedings pertaining to NV Energy's entry into a day-ahead market, as well as a
20

21
22 ¹³ NRS 704.79886(2)(b) (2021) (A request for a waiver of delay from the transmission provider, must show that
23 “the transmission provider has made all reasonable efforts to comply with the requirement but is unable to find a
24 viable and available regional transmission organization that the transmission provider can join on or before
January 1, 2030;” or “that it would not be in the best interests of the transmission provider and its customers to
join a regional transmission organization on or before January 1, 2030.”).

1 three-phase process for thorough evaluation of NV Energy’s entry into an RTO. These regulatory
2 mechanisms must be flexible, transparent, and rigorous to ensure NV Energy’s participation in
3 wholesale electricity markets delivers expected benefits and includes detailed reporting on the
4 impacts of this participation.

5 **3. What information should be included in any request by NV Energy pursuant to subsection**
6 **[question #1] above?**

7 Any request by NV Energy to join an RTO must include thorough explanation of key
8 components of market design, governance, and reporting to ensure that participation in the
9 market is just and reasonable and in the public interest. Essential information includes the
10 following components:

11 **1. In the event NV Energy seeks a waiver, conduct a counterfactual analysis of joining**
12 **an RTO versus staying at the day-ahead market level or status quo.**

13 WRA recommends that NV Energy conduct a robust counterfactual assessment of not joining
14 an RTO as a prudent and realistic way to assess the effects of not moving past the status quo.
15 Such a study is consistent with the RTO statutory requirement that the utility, if seeking a waiver,
16 demonstrates that it is not in the best interests of the transmission-providing utility and its
17 customers to join a regional transmission organization on or before January 1, 2030.^{14,15}
18 Numerous market participation studies in the past five years have demonstrated that one large
19
20
21

22 ¹⁴ NRS 704.79886(2)(b)(2) (2021).

23 ¹⁵ Energy Strategies, The State-Led Market Study: Market and Regulatory Review Report, July 2021, at
24 <https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/6148a03ea5c43d63b2873506/1632149569046/Final+Roadmap+-+Market+and+Regulatory+Review+Report+210730.pdf>.

1 western wholesale market for energy yields the greatest economic and environmental benefits.¹⁶
2 Any request for waiver or delay from the requirement to join an RTO by 2030 should warrant an
3 examination of potential opportunity costs to Nevadans. Further, WRA proposes that due to
4 possible bifurcated markets in the West, RTO market boundaries be approximated based on the
5 best available knowledge of day-ahead market boundaries. This assessment should include:

- 6 a. Net production cost impact of entry into either RTO market by NV Energy that compares
7 the status quo versus market entry (day-ahead or full RTO) across the following variables:
8 wholesale cleared energy prices, resource selection, curtailment (or reductions) of clean
9 energy resources, capacity requirements, transmission benefits arising from the
10 deployment of all NV Energy transmission assets under a flow-based paradigm over
11 status quo, and changes to planning reserve margin levels due to the Western Resource
12 Adequacy Program (WRAP) requirement for resource sufficiency needs. This net
13 production cost impact analysis should also factor in the opportunity costs of NV Energy
14 leaving the WEIM if it were to join SPP Markets+ or SPP RTO West expansion.
- 15 b. Likely operational and implementation costs NV Energy would incur as part of the first
16 three years of startup and operations.
- 17 c. Identification of potential seams and related economic impacts (qualitative and
18 quantitative) due to the need for inter-operability agreements on reliability, economic
19 coordination, and transmission access that NV Energy not only owns but also has
20

21
22
23 ¹⁶ Colorado Transmission Coordination Act Evaluation of Market Alternatives, June 11, 2021, at
https://www.dora.state.co.us/pls/efi/efi_p2_v2_demo.show_document?p_dms_document_id=948065&p_session_id=
24 [d=](#).

1 transmission rights for delivery of energy from Pacific Northwest to Southwestern part
2 of the Western Interconnection.^{17, 18}

3 Undertaking these analyses is essential to quantifying the potential (or challenge) of
4 measurable economic exchanges between the two day-ahead energy markets or one or more
5 RTOs that will involve the use of the direct current (DC) ties that interface between the Western
6 and Eastern Interconnections. WRA urges the Commission to be prepared to request such an
7 assessment in the interest of the Commission and customers. Findings from such a study would
8 inform a prudent and deliberative evaluation of direct entry into an RTO compared to staying at
9 the day-ahead market level or status quo.

10 **2. Reliability and Situational Awareness.**

11 WRA recommends the proposed assessment consider reliability benefits associated with
12 enhanced regional visibility into transmission flows and congestion, and availability of
13 generators or transmission paths across the market footprint, information on reduced renewable
14 resource curtailments, and faster real-time responsiveness to extreme weather events that come
15 from being part of an RTO. This should include a greater understanding of how the current
16 WEIM operations have benefitted NV Energy customers and NV Energy’s ability to export
17 electricity to California, Arizona, and the Pacific Northwest in times of extreme weather

18
19
20 ¹⁷ ISO New England, (seams issues are “trading barriers between adjoining wholesale electricity markets resulting
21 from the use of different rules and procedures by the neighboring markets, which can obstruct the trading or
22 sharing of electric capacity and energy between the two markets and affect the reliability of each system.”) At
23 <https://www.iso-ne.com/participate/support/glossary-acronyms>.

24 ¹⁸ Western Power Trading Forum and Public Generating Pool, Exploring Potential Seams Issues Between
Proposed Western Day-Ahead Electricity Markets, January 2024, at
https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/65b2e2a20c69bf4a46bef936/170622244932/Western+Day-Ahead+Seams+Exploration+FINAL_240116.pdf.

1 conditions. NV Energy’s planned participation in the WRAP also necessitates understanding of
2 how NV Energy would transact in a day-ahead market while demonstrating resource sufficiency,
3 to avoid leaning on other market participants. Greater resiliency and independence for NV
4 Energy cannot be realized without investing in the tools and market processes that enable cost-
5 efficient and real-time sharing of resources with adjoining Balancing Authorities and non-firm
6 or unexpected transfers of energy with organized wholesale markets. During extreme events,
7 such as the extreme cold across the West in January 2024, participation in a market benefits
8 reliability for participants due to access and geographic and resource diversity and transmission
9 interconnectivity.¹⁹ Evaluating the reliability benefits of NV Energy’s planned entry into these
10 regional initiatives would assist in mitigating some of the concerns highlighted in Executive
11 Order 2-23-07²⁰ by the Governor of the State of Nevada to achieve grid stability and resiliency
12 for NV Energy’s service territory.

13 **3. Governance.**

14 Market governance establishes the process for developing, amending, and proposing the
15 organization’s market rules and operating procedures. RTOs must be responsive to participants
16 and adequately balance public interests such as long-term grid reliability, environmental benefits,
17 and economic benefits. The public interest is typically represented by nonprofits, state consumer
18 advocates, and state regulators. The governance structure and processes in organized wholesale
19 electricity markets can enhance the market’s ability to support the larger public interest and
20

21 _____
22 ¹⁹ Mainzer, Elliot, CEO report to ISO Board of Governors and WEIM Governing Body, January 30, 2024, at
<https://www.aiso.com/Documents/CEOREport-Feb2024.pdf>.

23 ²⁰ Nevada Governor Joe Lombardo, Executive Order 2023-07, at
https://gov.nv.gov/Newsroom/ExecOrders/2023/Executive_Order_2023-007/.

1 appropriately leverage stakeholder input to achieve maximum market efficiencies. WRA
2 recommends the following principles to guide the review of RTO governance:

- 3 1. Independent board.
- 4 2. Transparency and accountability of decision-making and conflict of interest management.
- 5 3. Meaningful, fair, effective, and diverse stakeholder engagement.
- 6 4. Significant role for state regulators and others who represent the public interest.
- 7 5. An autonomous day-ahead market board with clearly defined rules establishing the
8 relationship between the day-ahead market board and the RTO board, the authority of
9 each board, and the processes for interactions between the two boards, including, for
10 example dispute resolution.
- 11 6. Adaptability to the future of the electric grid, including industry changes, economics, and
12 state policies.

13 These principles are consistent with the Multi-state Electric Organization Governance
14 Principles, signed by state Commissions including Nevada’s, and FERC’s stakeholder
15 involvement policy which is included in FERC Order 719.^{21,22} WRA recommends market
16 governance be evaluated on diversity of access and decision-making procedures, ensuring the
17 stakeholder process is open equally to all rather than providing superior opportunities or decision-
18 making authority to market participants or a subset of stakeholders.

21
22 ²¹ Multi-state Electric Organization Governance Principles, April 14, 2022, at
<https://www.westernenergyboard.org/wp-content/uploads/Multistate-Governance-Principles-4-25-22.pdf>.

23 ²² Federal Energy Regulatory Commission, Order No. 719: Wholesale Competition in Regions with Organized
24 Electric Markets, Docket Nos. RM07-19-000 and AD07-7-000, Oct. 17, 2008, at:
<https://www.ferc.gov/media/order-no-719>.

1 **4. Seams and Interoperability Agreements.**

2 As multiple day-ahead markets and RTOs will likely simultaneously operate in the West, it
3 is essential that the market operators communicate and develop best practices to mitigate
4 inefficiencies created by a bifurcated market construct in the West. Irrespective of whichever
5 day-ahead market that NV Energy joins, there will be a seam with adjoining market interactions
6 and especially if the West experiences more than one RTO formation. Recent studies have
7 identified the criticality of seams management (and related costs to ratepayers) and the need for
8 interoperability agreements. A recent study especially captures the need for greater intertie
9 optimization²³ that NV Energy would have to invest in, if it were to join a day-ahead market or
10 an RTO that especially may involve joining the SPP led market offerings.

11 **5. GHG Accounting, Clean Energy Export Benefits, and Reporting.**

12 NV Energy should supply information on GHG design and reporting in the RTO. Any market
13 must include transparent GHG mechanisms within the market design and robust reporting of
14 GHG emissions associated with market transactions. These components are essential to
15 measuring market performance and adapting market design. Robust GHG design mechanisms
16 and reporting help fulfill existing Nevada targets for 45% emissions reduction by 2030 over 2005
17 levels, any future policies, and voluntary utility decarbonization programs.²⁴ The information
18 provided should include a thorough explanation of any mechanisms used to optimize dispatch
19 based on GHG policies throughout the market footprint. It should also include a description of

20
21 _____

22 ²³ <https://www.brattle.com/wp-content/uploads/2023/10/The-Need-for-Intertie-Optimization-Reducing-Customer-Costs-Improving-Grid-Resilience-and-Encouraging-Interregional-Transmission-Report.pdf>

23 ²⁴ Nev. Rev. Stat. § 445B.380.

1 the reporting metrics on emissions, along with the methodology of any calculations and the
2 granularity and frequency at which these metrics will be reported.

3 **6. Market Monitoring.**

4 NV Energy should supply information about the market monitoring structure of the
5 prospective RTO. Pursuant to FERC Order 2000, any RTO must have an Independent Market
6 Monitor.²⁵ Market monitors identify, analyze, and recommend actions to address market design
7 flaws, market power abuses, and efficiency improvements. An RTO may employ an internal or
8 external monitor, or a hybrid of the two. These entities, which must act independently from the
9 market operator, assess reliability and performance, and prevent manipulation. Market operators
10 may utilize a monitor that is internal, external, or a hybrid of the two. Additional entities may
11 provide feedback on monitoring. For example, the CAISO Markets Surveillance Committee is
12 required to comment on market monitor reports.²⁶ Typical duties of an independent market
13 monitor may include but are not limited to:

- 14 • Identifying inefficient resource pricing, market power capture, and undue transmission
15 access withholding.
- 16 • Identifying leakage in GHG emissions due to inconsistent price signals or other design
17 mechanisms.
- 18 • Conducting market performance assessments independently and transparently.

21 _____
22 ²⁵ FERC Order 2000 identifies market monitoring as one of the minimum functions of an RTO, December 20,
1999, pp 461 466 at <https://www.ferc.gov/sites/default/files/2020-06/OrderNo.2000.pdf>.

23 ²⁶ CAISO Markets Surveillance Committee, at
24 <https://www.caiso.com/informed/Pages/BoardCommittees/MarketSurveillanceCommittee/Default.aspx>.

1 **7. Market Power and Performance Reporting.**

2 NV Energy should also provide information on the contents and frequency of any reporting
3 that will be available from the market operator and market monitor, including in the
4 aforementioned areas of market design and governance. Since any RTO that NV Energy joins
5 before 2030 will be new to the Western Interconnection, it is vital that market performance and
6 market power, or the ability of suppliers to profitably raise the market price of energy over
7 marginal costs, be transparently and thoroughly analyzed to ensure that the market delivers
8 expected benefits to Nevadans and design can be adapted as needed.

9 **Recommendation:** WRA recommends that the Commission establish a process for
10 evaluating NV Energy’s application to join in RTO that includes analysis of criteria in areas
11 including: 1) costs and benefits, 2) reliability, 3) governance, 4) seams, 5) GHG accounting, 6)
12 market monitoring, and 7) reporting. For a market to deliver expected economic, reliability, and
13 efficiency benefits to Nevadans, the market must have robust and adaptable market design,
14 independent and transparent governance, and thorough and accessible market monitoring and
15 performance reporting.

16 **4. What criteria should the Commission use to evaluate any request by NV Energy pursuant**
17 **to [question #1] above?**

18 WRA proposes the Commission use the following criteria to supplement and support the
19 requirements in the RTO statute in its determination of any request by NV Energy to join an RTO
20 or to seek a waiver from joining an RTO by 2030:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

Market Elements	Evaluation Criteria for Entry into an RTO
<p>Public interest costs and benefits in joining an RTO or seeking a waiver</p>	<ul style="list-style-type: none"> • Is the NV Energy application satisfying the requirements proposed in response to the above questions? • What are the costs and benefits to NV Energy ratepayers in joining an RTO versus seeking a waiver? • What are the impacts on reliability, operational costs, and the environment in joining an RTO versus seeking a waiver? • What additional investment costs into dispatch and optimization software, telemetry, and other settlement systems would NV Energy incur if it were to join a day-ahead market under one market operator and then join an RTO under a different market operator? • What are the exit requirements and costs that NV Energy would have to comply with if it were to exit a day-ahead market or RTO in the future?
<p>Governance</p>	<ul style="list-style-type: none"> • Does the proposed RTO have an independent board structure and nomination process, as well as adequate sectoral representation that includes voting rights for sector representatives that are non-market bidding entities such as state regulators, clean energy advocates, customer groups, and consumer advocates?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

	<ul style="list-style-type: none">• Does the governance structure include a stakeholder process that is open equally to all and decision-making by an independent body rather than providing superior opportunities or authority to market participants or a subset of stakeholders?
GHG and clean energy design and reporting	<ul style="list-style-type: none">• Do the market design rules of the RTO adequately address leakage, which occurs when policies result in transferring emissions to other jurisdictions rather than reducing them overall?• Do the market design rules and reporting support compliance with Nevada GHG reduction targets, and are they flexible to adapt to any future policy changes?• Would there be unintentional cost-shifts to NV Energy due to any inconsistent pricing regimes for carbon due to the variety of state emissions policies?• Are there market rules and reporting metrics to capture reductions in curtailments of renewable resources?
Market monitoring and reporting	<ul style="list-style-type: none">• What form of market monitor does the RTO employ?• What type of market monitoring reports, including those specific to NV Energy's performance would be provided, and at what granularity and frequency, to the Commission and stakeholders?• What kind of seams reporting would be provided if NV Energy joins an RTO that does not include the Pacific Northwest or

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

	Southwestern utilities with whom NV Energy has transmission wheeling arrangements?
Seams and interoperability requirements	<ul style="list-style-type: none"> • Is there a seams management initiative and agreement between the RTO NV Energy plans to join and any other adjoining RTO in the West? • What costs associated with market participation, including reliability, transmission use, and seams mitigation would NV Energy seek ratepayer reimbursement for? • What joint interoperability plans would NV Energy be required to commit to?

5. *What additional resources or avenues of inquiry should the Commission consider as part of this investigation?*

As part of this investigation, the Commission should review studies on wholesale market expansion and relevant issues in the West. WRA recommends the “State-Led Market Study” Market and Regulatory Review Report and Technical Report, which describe possible market outcomes for the West and their potential to facilitate state energy goals.^{27,28} WRA also recommends the “Western Day-Ahead Markets Seams Evaluation” prepared for the Public

²⁷ Energy Strategies, The State-Led Market Study: Market and Regulatory Review Report, July 2021, at <https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/6148a03ea5c43d63b2873506/1632149569046/Final+Roadmap+-+Market+and+Regulatory+Review+Report+210730.pdf>.

²⁸ Energy, Strategies, The State-Lead Market Study: Technical Report, July 2021, at <https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/6148a012aa210300cbc4b863/1632149526416/Final+Roadmap+-+Technical+Report+210730.pdf>.

1 Generating Pool and Western Power Trading Forum which “aims to provide a framework for
2 understanding the key seams areas and seams issues that may exist between the two proposed
3 day-ahead markets in the West.”²⁹

4 The Commission should also continue to engage with market initiatives in the West,
5 including but not limited to the CAISO EDAM, SPP Markets+, the Western Resource Adequacy
6 Program, and the West-Wide Governance Pathways Initiative. This includes participating in
7 these initiatives' forums or committees where market operators, utilities, and other stakeholders
8 are making key decisions on the design and governance of these markets which will impact the
9 level of benefits of the markets in the West. Additionally, WRA recommends the Commission
10 continue dialogue with market operators, NV Energy, and Nevada stakeholders to evaluate
11 ongoing developments and identify best practices for any market to meet the unique needs and
12 goals of Nevada. This includes hosting recurring Commission workshops on markets in this
13 docket and reviewing any future meeting materials or reports from the Regional Transmission
14 Coordination Task Force.

15 **III. Conclusion**

16 WRA appreciates this opportunity to provide initial comments and looks forward to further
17 engagement with the Commission and other participants in this proceeding as the state explores
18
19
20

21
22 ²⁹ Western Power Trading Forum and Public Generating Pool, Exploring Potential Seams Issues Between
23 Proposed Western Day-Ahead Electricity Markets, January 2024,
24 [at https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/65b2e2a20c69bf4a46bef936/170622244932/Western+Day-Ahead+Seams+Exploration+FINAL_240116.pdf](https://static1.squarespace.com/static/59b97b188fd4d2645224448b/t/65b2e2a20c69bf4a46bef936/170622244932/Western+Day-Ahead+Seams+Exploration+FINAL_240116.pdf).

1 an RTO entry process that maximizes reliability, economic affordability, and environmental
2 benefits for all Nevadans.

3 DATED February 16, 2024.

4 Respectfully submitted,

5 

6 Sydney Welter
7 Western Resource Advocates
8 Regional Market Policy Advisor
9 2260 Baseline Road, Suite 200
10 Boulder, CO 80302
11 720-763-3711
12 sydney.welter@westernresources.org

13 

14 Vijay Satyal, PhD
15 Western Resource Advocates
16 Deputy Director of Regional Markets
17 307 West 200 South, Suite 2000
18 Salt Lake City, UT 84101
19 541-231-7473
20 vijay.satyal@westernresources.org

21 

22 George Cavros
23 Western Resource Advocates
24 Senior Attorney
550 West Musser Street, Suite G
Carson City, NV 89703
(775) 430-4632
george.cavros@westernresources.org

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

CERTIFICATE OF MAILING

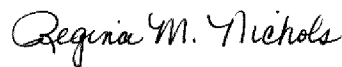
Docket No. 23-10019

I hereby certify that I have on this date served the foregoing document upon all parties of record in this proceeding by electronic mail to the recipient’s current electronic mail address, facsimile, or mailing a true copy thereof, properly addressed with postage prepaid or forwarded as indicated below to:

Shelly A. Cassity Sierra F. Waechter PUCN – Staff	PUCN, Regulatory Operations	scassity@puc.nv.gov sfwaechter@puc.nv.gov pucn.sc@puc.nv.gov
Timothy Clausen Regulatory Operations Jane Harrell	NV Energy, Inc.	timothy.clausen@nvenergy.com regulatory@nvenergy.com jharrel@nvenergy.com
NV Attorney General Michael Saunders Whitney Digesti	Bureau of Consumer Protection	bcpserv@ag.nv.gov msaunders@ag.nv.gov wdigesti@ag.nv.gov

DATED February 16, 2024.

Completed By:



Regina M. Nichols
Western Resource Advocates
Program and Legal Assistant

-
-
-

23-10019

Public Utilities Commission of Nevada
Electronic Filing

Submitted: 2/16/2024 11:31:39 AM

Reference: 05f3e073-7fb1-42ad-97d7-2e2aacc26a83

Payment Reference: ad-97d7-2e2aacc26a83

Filed For: Western Resource Advocates

In accordance with NRS Chapter 719,
this filing has been electronically signed and filed
by: /s Regina Nichols

By electronically filing the document(s),
the filer attests to the authenticity of the electronic signature(s) contained therein.

This filing has been electronically filed and deemed to be signed by an authorized
agent or
representative of the signer(s) and
Western Resource Advocates