

The National Hydropower Association

Position Statement: Wholesale Power Markets Engagement

Hydropower is unique among generating resources because it is emission free and can provide nearly *all* the attributes necessary for a reliable and resilient electric grid from dependable capacity to black start capability. Importantly, its ability to ramp up or down quickly in response to consumer demand or to offset variable energy resource production is valuable in a rapidly evolving electric system. As the grid integrates more and more variable energy resources such as wind and solar, hydropower's ability to provide capacity, energy and balancing services, frequency response, voltage support, load following, and long-term storage is increasingly critical.

To be sustainable over the long term, an efficient market must send appropriate price signals to hydropower owners and operators that reflect the value hydropower resources provide. Bilateral or organized markets should be designed to value energy, capacity, and ancillary services. Organized markets are in various stages of development throughout much of the country. In any market, the treatment of hydropower will be profoundly important to assure a least-cost approach to reliably meeting load while achieving carbon emission reduction goals. Policy makers must ensure the appropriate compensation for grid benefits. For example, if hydropower owners provide products and services that avoid the need to build new generation resources, the compensation for hydropower should consider the value of those avoided costs such that the market operator can dispatch the least-cost and most efficient resources. Fair and reasonable compensation will ensure that investment and reinvestment in hydro occurs.

- Market rules should be technology neutral and not discriminate among non-emitting resources that provide similar services.
- Price formation should appropriately value the products and services provided by a resource.
- Reliability programs should recognize and value the reliability benefits hydropower projects can provide.
- Market rules should facilitate fair and equitable participation among internal, external or voluntary resources.
- Market rules should recognize the need for optimal dispatch of resources like hydropower that may have a limited fuel supply or operational limitations based on balancing multiple uses.

Based on these principles, NHA will engage policy makers and file comments in relevant regional proceedings to advance market mechanisms that appropriately value and incentivize the full range of energy, capacity and grid services that hydropower can provide.