



May 8, 2024

Comments of Western Power Trading Forum to West-Wide Governance Pathways Initiative Phase 1 Straw Proposal from the Launch Committee.

WPTF appreciates the work of the Launch Committee and is supportive of the goal to create an independent governance structure that will allow for the formation of a regional market platform that contains the largest number of participants as possible in the West. WPTF recognizes the necessity of taking a “stepwise” approach to initially make changes under existing law to demonstrate meaningful progress and then create a second step that will allow for a fully independent governance and organization for a broad western power market similar to a Regional Transmission Organization (RTO).

WPTF offers comments on key areas identified by the Launch Committee for feedback to the Straw Proposal of April 19.

Step 1: WPTF believes that Step 1 represents a very good initial approach to creating a structure that provides utilities and market participants from all over the West assurance that market rules that will govern their activities will be developed and implemented in an independent manner, while respecting current state laws and federal precedents. The “primary” authority model governing market rules for the Western Energy Imbalance Market (WEIM) Governing Body and proposed consent approach with CAISO Board of Governors gives a structure that appears workable. WPTF appreciates the Launch Committees work with NEPOOL and conversations with FERC staff that provide comfort of a workable solution.

WPTF and its members urge the Launch Committee to be very careful in its consideration of this structure to make sure there are no areas of “conflicting authority” that might subject market participants to possible liabilities or accusations of non-compliance with any parts of the tariff.

Step 2: The Pathways proposal to achieve “independence” through one of two options for a “Regional Organization” (RO) that is vested with sole authority over market rules would appear to meet the needs of market participants throughout the West region to administer a regional power market. WPTF recognizes the benefits of both Option 2.0 and Option 2.5. The benefit of Option 2.0 - which envisions services for support from CAISO staff - would allow for the RO to be a relatively lean and less costly structure. Option 2.5 would require a more robust contractual agreement with CAISO staff for the delineation of responsibilities, but which may increase the perception of “institutional” independence. WPTF believes that both options will meet the level of independence necessary for the broad array of market participants and states in the West. However, consideration should be given to the likelihood that Option 2.5 might



allow for the more rapid evolution to an RTO type structure would provide greater benefits to the region and its market participants.

Regardless of which option (2.0 or 2.5) the Launch Committee decides to recommend, we suggest that CAISO provide an analysis of its contracts to determine it can breakout critical responsibilities to an extent that can make the independence of the RO manifest. An example of this independence would be if settlement responsibilities can be broken out to allow adoption of a direct settlement to all market participants – such as load serving entities where direct access is allowed and independent generation. WPTF members believe this is a critical step to help determine what is necessary to achieve an independent RO and thus can be a guide for which option in Step 2 to pursue.

Step 2 – Institutional Governance: Given WPTF’s request that future structures that involve the continued existence of the CAISO balancing authority (BA) and the CAISO Board of Governors assure there are no areas of “conflicting authority” and subsequent liabilities, there may be benefits to Option 2.5 in its more robust structure for the RO which may outweigh the benefits of reduced costs associated with Option 2.0. Similarly, the ability to adequately breakout responsibilities for the RO as discussed with “direct settlement” example above, may argue for Option 2.5.

Unexplored or new options: WPTF polices advocate for a region-wide market. In our view, this would include consolidation of Balancing Authorities (BA). Such a structure would greatly facilitate the efficiencies of a security constrained economic dispatch (SCED) through a single governing tariff. Such an outcome would help achieve full utilization of the existing transmission grid and access to resources across the region to the benefit of reliability and affordability for customers of all types. Such an organization, were it to be achieved, could also incorporate other services similar to current RTOs such as transmission planning and interconnection and optimization of ancillary services necessary to grid security. Finally, such a region wide organization with consolidated BAs and tariffs would be better able to optimize Resource Adequacy (RA) working with organizations such as the Western Power Pool’s RA program (WRAP) and the California RA program. Such a consolidation of BAs would have no effect on states’ ability to determine resource investments through Integrated Resource Planning (IRP) or similar regulatory processes.

However, WPTF recognizes that such a structure may take time to achieve. Consequently, WPTF believes that a stepwise approach, provided that ultimate independence as envisioned in Step 2, represents a very real and important approach to meeting the needs of market participants in the West.



Other considerations: WPTF applauds the work of the Launch Committee to this point on the “large G” type of governance. However, WPTF believes that an engagement to consider the “small g” type of governance that involves an improved stakeholder’s process to advise on market rules is ripe for consideration. To be clear, stakeholder debate and views communicated to governing authorities are meant to be advisory and authority to make tariff filings under section 205 of the Federal Power Act would remain with the governing bodies (WEIM, RO, etc.). However, a more robust stakeholder structure and voting for the purposes of providing governing bodies with full knowledge of viewpoints will improve market outcomes and transparency to the benefit of market outcomes, regulatory bodies, and customers. This new stakeholder process is necessary to demonstrate that an independent RO will have the benefit of a good stakeholder process to inform its decisions and should be developed and in place as soon as practicable.