

## **Arizona Public Service response to the West-Wide Governance Pathways Initiative Straw Proposal, released April 10, 2024**

May 8, 2024

Arizona Public Service (APS) acknowledges advancements accomplished by the Pathways Initiative Launch Committee to assemble the Governance Straw Proposal and appreciates an opportunity to provide comment at this juncture. APS's previous comments, submitted to the Launch Committee on January 12, 2024, made clear a preference for Option 4, which prescribes the creation of a regional organization (RO) to house governance and market operation functions and maintain full 205 filing rights for Western real-time and day-ahead market programs. APS maintains an ultimate preference for an independent market structure that (1) promotes transparency and accountability, (2) prevents conflicts of interest and unfair influence by any one market participant or state, (3) includes a robust stakeholder process to lead market evolution, and (4) promotes long-term market stability.

The Straw Proposal excludes Option 4 and stops short at meeting APS's preferences for independent market governance. The shortened scope limits the ability of the Pathways Initiative to influence the decisions of entities considering day-ahead market participation. However, the Straw Proposal does represent constructive progress toward better governance. APS is generally supportive of the implementation of the steps defined. Should they be achieved, the iterative steps of transitioning to Primary Authority and then a new RO to administer governance to the California Independent System Operator's (CAISO) market programs can improve the development of equitable seams between markets in the West.

APS offers the following considerations on the steps included in the Straw Proposal:

### **Step 1 Proposal**

Since progress through the steps of the Straw Proposal is iterative, APS finds the Trigger prescribed for Step 1 to be an unnecessary delay. The Straw Proposal includes the Trigger to encourage "expansion of the geographic footprint of [the Extended Day-Ahead Market] EDAM". APS counters that the intention of the Pathways Initiative is to prioritize development toward independent governance on the merit that it is a better market design for all possible market participants. Transitioning the Western Energy Imbalance Market Governing Body (WEIM GB) to Primary Authority is an improvement



in autonomy to its current Joint Authority with the CAISO Board of Governors (BoG). APS recommends removing the Trigger to avoid a delay in this transition.

Regarding the Modified Dispute Resolution Process, APS finds the “dual filing” approach to improve the existing approach, which only allows the WEIM GB to attach a statement to CAISO BoG filings if the two bodies disagree. However, the Straw proposal includes an exception for “time critical exigent circumstance” filings. APS requests that the Proposal better define the kinds of circumstances that would fall under this category so that the exception is appropriately bound.

## **Steps 2 and 2.5 Proposals**

Like Step 1, Step 2 is prioritized by the Straw Proposal for being more attainable than the final step included in the Proposal’s scope, Step 2.5. APS requests that the Proposal clarify that Step 2.5 is considered an in-scope goal. If the added time, cost, and legal risks required for Step 2.5 are considered limiting factors, this needs to be clearly communicated as well. APS values the increased institutional independence that Step 2.5 prescribes and prefers it over Step 2 as an end-point for the Straw Proposal.

APS understands that with the added complexity inherent to Steps 2 and 2.5 comes added uncertainty. APS requests that three specific areas of the Straw Proposal be further fleshed-out with details or include a clear timeline for development:

1. A commitment to when work will begin on items that can be immediately developed, including creation of the RO and writing of necessary California legislation.
2. Inclusion of an RO stakeholder process that empowers market participants and stakeholders to influence market developments.
3. Details regarding the contractual relationship to form between CAISO and the RO.

Finally, there remain significant uncertainties surrounding the ability of the Straw Proposal to be enacted once it reaches its final form. APS recommends an increase in engagement with and evidence of buy-in from CAISO and the California Legislature. Further, the Straw Proposal should include some mention of contingency plans in the event that steps are delayed or denied.

APS appreciates the opportunity to provide this feedback and will continue its engagement with the Launch Committee and the Pathways stakeholder process.