

INTRODUCTION

Seattle City Light (City Light) is the tenth largest consumer owned electric utility in the nation, providing electrical service to more than 450,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. City Light owns and operates hydroelectric resources with approximately 2,000 MW of flexible, fast-ramping capacity. We regularly transact in the wholesale energy and transmission markets. City Light began participation in the Western Energy Imbalance Market (WEIM) in April 2020 and has derived meaningful financial and operational benefits since joining the market.

City Light greatly appreciates the immense amount of work the Pathways Initiative has undertaken and the progress made thus far. Specifically, City Light applauds the Launch Committee's responsiveness to stakeholder feedback. From the presentation of Options in December and subsequent stakeholder comments in January, it is evident that stakeholder feedback was heard, absorbed, incorporated, and heavily shaped the Phase 1 Straw Proposal. We are impressed with the comprehensiveness of the Straw Proposal and continue to be encouraged with the progress being made in meeting the objectives laid out in the Launch Committee's evaluation criteria.

City Light, like many other entities, is in the process of making its Day-Ahead Market determination and evaluating our priorities as they relate to governance. City Light's priorities closely align with the Pathways evaluation criteria, and in particular want to highlight the importance of maximizing the net benefit to all parties, achieving the widest area footprint and connectivity possible, equitable representation through a robust stakeholder process, balancing costs utilizing a scalable framework by leveraging existing infrastructure and support to the extent feasible, and moving towards a more independent governance structure. In order to position the West for continued success as the region grows and evolves, the current governance structure must move towards a structure of equitable representation and greater independence to set the stage for achieving the widest area footprint and greatest connectivity. A future model that is RTO capable can build on this existing success.

Overall, our comments are framed with the underlying intent of working towards achieving the evaluation criteria. Achieving an incremental and near-term advancement in the governance structure (Phase 1) is helpful and necessary. To achieve true success, working through the processes and complexities to achieve greater independence (Phase 2) is necessary to fully achieve successful outcomes. Finally, as indicated in our position and statements outlined above, we recognize this will most likely be a long process requiring significant effort from stakeholders. We believe this is a valuable use of time and are willing to actively participate throughout this initiative's lifespan.

RESPONSE TO QUESTIONS

The Launch Committee posed 5 questions to stakeholders where specific feedback was requested. City Light's responses to each question are below.

Question 1. Step 1: Step 1 is the first step toward fully independent governance of the markets. Recognizing that Step 1 is the result of stakeholder suggestions and support for a stepwise approach that demonstrates early commitment to the ultimate goal with a substantive increase in market independence, please provide input on support or concerns for Step 1 as it is proposed.

City Light is fully supportive of implementing a stepwise approach and is fully supportive of the steps and changes that are envisioned to achieve Step 1 consisting of:

- Elevating the WEIM Governing Body (GB) decision-making from Joint Authority to Primary Authority
- Modifying the current dispute resolution process to include a dual filing right
- Incorporating public interest safeguards for participating states in the WEIM GB

City Light appreciates that these steps can be taken as soon as the trigger is met and without legislative change. City Light supports the trigger definition of 70% of the 2022 CAISO BAA annual load. The proposed timeline envisions the CAISO process running through the end of the year. If there are additional steps that can be taken to expedite these changes, City Light would encourage exploring those. For additional context and comments on the components envisioned for Phase 1, detailed comments are below.

Joint Authority to Primary Authority

City Light agrees that the move from Joint Authority to Primary Authority is appropriate and beneficial. With Joint Authority being recently expanded to include day-ahead market and other related rules under CAISO's tariff that are applicable to EDAM Entities, this change is minimal, and the framework currently exists to support this transition. Additionally, we support using the existing "apply to" test used to identify areas of Joint Authority in the tariff. City Light is comfortable with giving Primary Authority to the WEIM Governing Body (GB), rather than both bodies. There is both trust in the GB making these determinations, and the backstop of the CAISO Board of Governors (BoG) being able to remove the matter from the consent agenda and reject the proposal by majority vote, triggering the dispute resolution procedures if necessary.

Dual Filing/Jump Ball & Dispute Resolution

City Light is comfortable with and supportive of allowing both the GB and the BoG to make dual filings at FERC if an issue cannot be resolved through the dispute resolution process. Preserving the ability of the BoG to act in instances where reliability or market integrity is at issue gives sufficient protection to the traditional California footprint. We appreciate that the Primary Authority model proposed here bears a close resemblance to the consent agenda model that led to the current Joint Authority model developed by the Governance Review Committee. Building on the success of this framework is prudent and efficient.

While we are supportive of the move to allow for a dual filing, we would be interested in exploring and full articulation of the dispute resolution processes and procedures to ensure that all parties are clear on how differences are resolved between the two decisional bodies.

Public Interest Safeguards

The Body of State Regulators (BOSR) has been an important and valuable voice in the policy development process. It is important to City Light that the BOSR retain an active advisory role in any new governance structure to help preserve that the public interest from all participating states is fully represented and woven into the fabric of future policy development.



Question 2. Step 2 - Full Governance Independence: The Launch Committee focused its work on evaluating and comparing Options 2 and 2.5. Both options give a new independent Regional Organization (RO) the sole authority over the regional market services that the CAISO currently offers or will offer (WEIM and EDAM), as well as the design and decision-making (governance) over any future tariff changes to those market rules and additional regional market services. In this context, the Launch Committee is looking at governance independence as the authority over the entire process for designing and filing changes to the market rules in the tariff. Both options propose a relationship with the CAISO likely either through an interface agreement (Option 2) or contract for services (Option 2.5) for execution and delivery of market services that includes some level of corporate protections for the CAISO as an institution. Please provide input on whether and how this level of governance independence would create opportunities or challenges for your organization and the broader Western region.

City Light supports either Option 2 or Option 2.5 and does not have a strong inclination in preferring one over the other. We support further exploration of both options. We do not see significant issues with either option, via an interface agreement or a contract for services, and welcome continued discussions with stakeholders through Phase 2. A guiding principle in determining which option to pursue will be the ability to leverage existing structures and infrastructure to minimize upward cost pressure.

Question 3. Step 2 - Institutional Independence: There are tradeoffs between Options 2 and 2.5 related particularly to the amount of institutional independence the new Regional Organization (RO) will have and the amount of responsibility and liability the organization would have to take on, both of which could increase costs. In this context, the Launch Committee is looking at institutional independence as how deep the organizational separation between the RO and the CAISO goes, including things like staffing, markets contracts, and legal and compliance obligations. Please provide input on whether and how these varying levels of institutional independence and responsibilities would create opportunities or challenges for your organization and the broader Western region.

We understand that moving along the spectrum towards greater independent governance will likely come with a higher cost to achieve it. As we explore these costs it will be important to ensure that the benefits are commensurate. At this point in time, City Light favors an RO that could start with a smaller staff but be scaled up as needs dictate. Building on the ability to reevaluate costs, structures, and effectiveness after some time has passed under the new governance model will allow the RO to learn from our experience and the flexibility to scale up if the region sees benefit in making these changes. Starting small and building up seems more prudent than beginning with a larger staff and potentially having to scale down. It will be important to allow sufficient structures and processes for the formation of the Regional Organization to scale appropriately based on the size and need of the system and services of which it is governing.

Question 4. Unexplored or new options: As described in the straw proposal document, the Launch Committee chose not to explore several of the options it originally identified. In addition, there may be other potential structures that the Launch Committee has not pursued, in part because of the scale and effort Options 2 and 2.5 took to develop so far. If you have ideas that the Launch Committee should consider that could potentially achieve the goal of the Pathways Initiative and meet the evaluation criteria the Launch Committee is using, please provide structural ideas with as much detail as possible.

City Light has no additional options to offer that have not been considered.

Question 5. Other considerations: Especially for Step 2, there are many outstanding questions and considerations that the Launch Committee will need to explore before coming up with a final recommendation. Please share any questions and considerations that you would like the Launch Committee to address in its work to refine and develop a recommendation, including legal risk and analysis.

To be able to better evaluate Option 2 against Option 2.5, it would be helpful to better understand the following:

- Cost impacts for each option
- Opportunities to leverage existing structures to minimize cost impacts to market participants and ultimately ratepayers
- Allocation of costs to participants. Different methods that could be utilized- (i.e. load ratio share)
- How costs will be collected. The assumption is that costs would flow through the Grid Management Charge (GMC). If this is the case, what changes to the GMC (accounting and allocation) would be necessary
- Exploration of RO staffing/org structure
- Incorporation logistics and timeline
- Non-profit structure for the RO; Benefits/challenges of different structures
- How to structure a Stakeholder Process for the RO. Utilizing a “top down” vs. a “bottom up” approach. Exploration of other processes utilized throughout the country in different ISOs/RTOs

We are appreciative that the Launch Committee is planning on hosting workshops through Phase 2 to give stakeholders the opportunity to explore these topics and narrow in on options that have broad support. It would be helpful to get a better understanding of how the Launch Committee is envisioning these workshops will be conducted (frequency, structure, etc.).

Thank you for consideration of Seattle City Light’s Comments. We applaud and appreciate the hard work being done by the Launch Committee.