

Elliot E. Mainzer
President & Chief Executive Officer

Transmitted Electronically

August 19, 2024

To: Launch Committee Co-Chairs

Re: Role of the CAISO in the West-Wide Governance Pathways Initiative

Dear Ms. Sporborg and Ms. Staks:

I am writing to reiterate our understanding of the CAISO's role in the work of the West-Wide Governance Pathways Initiative ("Pathways") following the joint approval by the CAISO Board of Governors and the Western Energy Markets Governing Body of the Pathways Step 1 proposal. This letter seeks to continue the arrangement set forth in your January 11, 2024 letter to me.

Since the initiation of Pathways, the Launch Committee has been working with stakeholders to explore governance structures that could evolve to allow voluntary participation in energy markets and ultimately a broader structure such as a Regional Transmission Organization. Through Launch Committee conversations and feedback from stakeholders, the Committee concluded that a stepwise approach would best serve the West and recognize this evolution.

The successful approval of Step 1 demonstrates a commitment to enhance the current CAISO governance structure under its current statutory requirements once the triggering requirements set forth in the proposal are met. The Pathways Step 1 proposal, which received broad and enthusiastic support from a very diverse set of stakeholders throughout the West, is a strong testament to the Launch Committee's process and provides an excellent foundation for the continuing work of the Launch Committee. So, as you continue your efforts, including Step 2 and beyond, the CAISO wishes to reiterate our commitment to engage with Pathways and describe our mutual understanding of the scope of that work noted below.

Key known elements of the ongoing Pathways work

The CAISO understands that the mission of the Launch Committee is still as noted in the January 11 letter. The stepwise approach now focuses on Step 2, which would establish independent governance of an energy market and would require changes to California statute, as well as a potential future Step 3 that would seek further evolution toward offering additional regional services.

The CAISO further understands the Launch Committee is seeking federal funding to develop the details of Step 2 and create a Formation Committee, which will develop the operational and structural details of a regional organization. And while we will not be able to provide any financial or administrative assistance, we will continue to provide voluntary assistance providing input on technical issues as noted below.

We also understand that the Launch Committee will continue to seek legal advice for its efforts by retaining its own counsel, rather than relying on the CAISO for legal advice.

Role of the CAISO

At the outset of the Pathways process, you as co-chairs of the Launch Committee observed that "it would be helpful to have a means to obtain technical, analytical, and factual input from CAISO staff as

the Launch Committee performs its work.” We agreed to provide such assistance, and as you continue your efforts, the CAISO will continue to do so, including by providing subject matter experts on relevant topics such as CAISO’s market structure, tariff and related agreements, technology platform, corporate governance structure, and/or an understanding of any legal requirements that may be relevant as the Launch Committee evaluates potential options.

The CAISO is not a member of the Launch Committee, and while providing technical support, it should not be interpreted as endorsing or otherwise taking any position on the proposals under consideration.

We appreciate your efforts and those of the entire Launch Committee and stakeholder participants.

Regards,

A handwritten signature in black ink, appearing to read "Elliot Mainzer".

Elliot Mainzer
President and Chief Executive Officer