

Summary Abstract for Public Release

West-Wide Governance Pathways Initiative: Engaging Stakeholders in the Development of a
New Western Regional Organization

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The Western Interconnection is a large, geographically diverse part of the U.S. grid. While challenged by aging infrastructure, rapid electrification, and extreme weather events, the West has diverse energy resources that can support the grid and enhance reliability and resiliency. Past efforts to create a western regional transmission organization (RTO), which would more efficiently deploy resources and manage the transmission system, have been unsuccessful for several reasons, including challenges developing an equitable governance structure.

In July 2023, a group of five western state regulators called for the creation of a separate, independently governed entity that would offer market services up to and including an RTO across the largest possible footprint in the West. A diverse group of western stakeholders responded, creating the West-Wide Pathways Governance Initiative (Pathways Initiative), to achieve that vision to deliver reliable, affordable, and clean electricity to all customers. This effort will accelerate the energy transition by developing efficient, fair, and transparent market governance, supporting the DOE's goals. This effort reflects the diversity of needs across the West required to break the previous deadlock of governance disagreements. The Pathways Initiative's goal is to develop a new, independent West-wide entity capable of:

- Enabling the largest footprint possible that includes California and maximizes overall consumer benefits;
- Provides independent governance for all market operations; and
- Preserves and builds upon existing CAISO market structures, including the Western Energy Imbalance Market (WEIM), which serves over 80% of the Western interconnect, and the Extended Day Ahead Market (EDAM) which offers additional day-ahead services.

In August 2024, the CAISO Board of Governors and the Western Energy Market (WEM) Governing Body unanimously approved the Launch Committee's Step 1 proposal, enhancing the WEM Governing Body's oversight of the real-time and day-ahead markets from joint authority to primary authority and completely Phase I. Building off of this incremental yet important step, the Launch Committee took stakeholder feedback on the structure for a Regional Organization (RO) that would include an independent board to oversee those market functions.

The Pathways Initiative, through its fiscal sponsor Global Impact, is seeking DOE funding to implement the Launch Committee's recommendations for establishing a new RO. This third phase builds off extensive input from stakeholders and independent expertise to date. This application for a \$985,109 grant over two years will support stakeholder convening, materials development, facilitation and personnel costs to achieve the goals of Phase III:

- Refinement and formalization of the stakeholder process, including the evolution of the WEM Body of State Regulators to support the new RO;
- Final governance documents and tariff language for the new RO; and
- Identification and hiring of RO Board and initial staff.

This final phase of the Pathways Initiative will complete the transformation of independent governance of the CAISO energy markets, and provide a durable path toward the expansion of market services across the West.