

West-Wide Governance Pathways Initiative Public Interest

August 29, 2024

Arizona Public Service (APS) appreciates the opportunity to provide comments regarding the Pathways Initiative Public Interest workshop presentation. Our organization understands the amount of work involved to get to this step and appreciates the presented proposal of tools for public interest protections. We view the tools to be well rounded and offer additional recommendations to further develop the proposal.

To establish its independence from the CAISO, the new RO needs to also function independently from the CAISO. The RO should be housed separately from the CAISO offices in a new physical location; it should have its own hired staff and reporting structure to provide effective and balanced oversight. Ideally, the RO would be located outside the Folsom area where the RO can maintain its own culture and does not have employees that easily change between the RO and CAISO over time. Additionally, the tools presented during the workshop for public interest protections should be within the new RO structure. Instances where the tools have duplicative functions within existing committees in CAISO need to be identified and the relationship between related committees that cross the RO and CAISO needs to be defined, including but not limited to prescribing communication and information sharing.

RO Board

The structure of the new RO Board is important for the public interest because it influences decision-making and ensures diverse perspectives are considered. A well-structured board can help prevent conflicts of interest and promote transparency, leading to decisions that best serve the public and the diverse regional entities who will participate in the market.

Our organization identifies the following key characteristics of the Board that should be defined within the proposal:

- **Director Qualifications** – Directors should possess up-to-date and pertinent senior management skills and experience in finance, accounting, electric transmission or generation planning or operation, law and regulation, commercial markets, and trading as well as associated risk management.
- **Board Size** –The number of sitting Directors should ensure enough individuals to effectively oversee and govern the organization. APS believes this can be achieved with a Board that includes seven to ten Directors.
- **Term Limitations** –Established term limits for Board Directors helps promote diversity, fresh perspectives, and prevents the entrenchment of power within the select group of individuals.
- **Conflicts of Interest** – Identifying and eliminating conflicts of interest ensures fair decision-making in the public's best interest. It promotes transparency, ethical governance, and public trust for better outcomes.

APS recommends the proposal identifies prohibited conflicts, such as but not limited to, current employment or affiliation with market participants or affiliate organizations, and no financial interest in these entities for Directors or their immediate family members.

States Committee

Our organization believes there is a need to establish a separate States Committee within the RO independent from the CAISO States Committee (WEIM BOSR). By creating a separate committee specific to the RO, states would have a dedicated platform to provide advice on matters connected to market governance and policy issues. This would enable a more focused and detailed examination of the unique challenges and opportunities facing the regional grid, ensuring that the interests of each state are adequately represented and considered in decision-making processes.

Furthermore, a separate States Committee for the RO would foster greater transparency and accountability in regional energy governance. It would provide an avenue for states to collaborate more effectively on matters related to energy policy, and regulatory compliance, ultimately leading to more informed decision-making. The new RO States Committee could also facilitate closer coordination between states, allowing for the implementation of coordinated initiatives that advance public interest.

At this point, it is premature to define voting and trigger options for the States Committee, as proposed in the workshop. This issue is being debated concurrently within the BOSR and has not reached resolution. APS recommends a solution to this issue be influenced by that debate.

Independent Market Monitor

The role of an Independent Market Monitor (IMM) is crucial for ensuring fair competition and preventing market manipulation. To provide crucial oversight including identification and reporting of market design flaws, market rule violation and market power abuses, our organization recommends an IMM role in the new RO.

The RO IMM should have a formal and transparent process to handle market concerns and issues. The process should include a timeline for prompt response and resolution, issuance of a formal notification to stakeholders on recommendations, and an open comment opportunity for stakeholders. Finally, the IMM should retain the authority to file complaints to the Federal Energy Regulatory Commission when necessary. We believe that establishing a formal process will help strengthen the ability of the IMM to impartially oversee market activities and maintain transparency, ultimately safeguarding the interests of both consumers and market participants.

Finally, if CAISO maintains its Department of Market Monitor, the proposal needs to clarify which organization is responsible for monitoring which market functions and the process for sharing information between the two organizations. The IMM must have all monitoring functions that could impact external entities and the ability to escalate concerns that may be within the scope of the CAISO Department of Market Monitoring.

Consumer Advocate Organization

We can support the establishment of a Consumer Advocate Organization to organize relevant organizations. However, it is important to set boundaries for eligibility of participating organizations and limit membership to state-chartered organizations. This will help maintain the integrity of the advocacy process.