



West-Wide Governance Pathway Initiative
Comments on the Launch Committee's Step 2 Draft Proposal

NV Energy

October 25, 2024

NV Energy appreciates the opportunity to comment on the West-Wide Governance Pathways Initiative Launch Committee's Step 2 Draft Proposal (the "Proposal") released on September 26, 2024. The Proposal represents a tremendous effort on the part of the Launch Committee, participating stakeholders, and western regulators.

1. Please indicate your level of support for the Step 2 Draft Proposal. Please provide general reactions, an indication of the benefits of the structural elements that are being proposed, and if you think that the Draft Proposal is on the right track.

NV Energy supports the Step 2 proposal as a well-considered evolution of the CAISO market governance. Step 2 facilitates the movement from the WEM Governing Body having primary authority over market initiatives, to the independent RO Board which will have sole authority. The overall result can support voluntary, incremental expansion of organized market functions for the benefit of customers.

2. Stepwise approach: The Draft Proposal would continue the stepwise approach for Step 2, beginning with Option 2.0, followed by the RO commencing a feasibility study within 9 months of its formation. Depending on the results of the study, the RO would assume further responsibility in the form of Option 2.5 or a similar structure. This stepwise approach is motivated by a desire to continue early momentum towards regional governance by standing up the RO in the near term, while recognizing the time required to create the infrastructure and financial reserves to enable Option 2.5, and the need to better understand the costs, benefits and structural specifics of Option 2.5. The RO would then have the ultimate authority, with stakeholder input, to make decisions about next steps from and after its formation. Does this stepwise approach create a platform that can achieve the desired level of independence at an appropriate cost to customers?

Consistent with the incremental approach to expansion of organized market services in the West, NV Energy agrees that it is appropriate to stand-up the RO under Option 2.0.

As noted in the draft proposal, while Option 2.0 represents a materially more independent way to govern the WEIM and EDAM, “other than its elevation to sole authority, the RO Board in Option 2.0 is very similar in most other respects to what the WEM GB is today: a policy-setting board.” Option 2.0 would not significantly disrupt the current organizational structure of the CAISO and minimizes costs and duplication of staff and structure.

Option 2.5 converts the CAISO into the role of a vendor subject to a service contract with the RO. As noted in the draft proposal, this is a fundamentally different arms-length relationship between the two corporations. Nine months may be an ambitious target to begin the feasibility study.

3. [Cost: The Launch Committee has created a high-level preliminary cost estimate for Option 2.0 and 2.5. Please provide feedback on the level of staffing and the costs for both options. Do these estimates seem reasonable, and would stakeholders be willing to shoulder these costs associated with increased independence?](#)

The overall estimate of \$14 million for Option 2.0 seems reasonable. There will be the initial costs to establish the RO and then the ongoing expenses to support the policy Board. Costs associated with Option 2.5 are more difficult to predict as the full scope of activities is less certain. The more involvement the RO organization has with respect to the stakeholder process and tariff administration under Option 2.5 the greater the staffing needs and commensurate costs.

It is important to note that not all of the costs associated with either Option 2.0 or 2.5 are incremental increases. There would likely be some decrease in CAISO’s own administrative costs associated with the WEM Governing Body and potentially other functions.

4. [Tariff approach: The Draft Proposal recommended maintaining a single integrated tariff at the outset, and embarking on an effort to organize the tariff into the areas of sole CAISO, sole RO, and where there is overlapping shared authority. This effort would lay the groundwork to eventually to progress to separate tariffs, should that separation be desired by stakeholders. Do you support this approach? If not, please provide an alternative approach and as much explanation as possible on how the alternative would better address stakeholder needs.](#)

NV Energy supports maintaining the single CAISO Tariff, at least at the outset of Option 2.0. NV Energy also supports conducting a stakeholder process to reorganize the tariff to better separate market and California Balancing Authority Area activities. An effort to reorganize the tariff without making substantive changes is similar to what CAISO undertook prior to the Market Redesign and Technology Upgrade filing. The CAISO’s submission of the “Simplified and Reorganized Tariff” in FERC Docket ER05-1501 removed complexity, without substantively changing the market design. Any division of

tariff market and balancing authority area responsibilities will need to be transparent and seamless.

5. Department of Market Monitoring (DMM): The Draft Proposal recommended a joint reporting structure for DMM and RO shared decision making in DMM upper management hiring. Would this change enable sufficient independence? If you think that the proposed approach does not achieve sufficient independence, please provide an alternative approach that would better address stakeholder needs, including any cost implications.

NV Energy supports the retention of DMM as an internal market monitor and the MSC to provide additional perspective on market design and performance. DMM's mission statement as reflected in Attachment P of the CAISO Tariff is "[t]o provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses."

While NV Energy's preference would be to move DMM and the MSC to be under the control of the RO Board along with the Independent Market Advisor, we recognize that certain activities, such as ancillary services and CRRs, will not be part of EDAM at the outset. It would be unnecessarily cumbersome and expensive to set up a separate monitoring organization just for the CAISO Balancing Authority Area. Accordingly, NV Energy supports the proposed joint reporting structure.

6. Sectors: The Launch Committee is holding a workshop (10/7) focusing on sectors and seats on the Stakeholder Representatives Committee (SRC), and will release a revised sector proposal on 10/14. Please share your thoughts on the revised sector proposal and if this component of the overall stakeholder process would allow for meaningful participation and all stakeholder voices to be heard.

NV Energy supports the revised Stakeholder Representatives Committee with the proposed addition of a second seat for the consumer advocate sector. Thus, the proposed SRC would consist of 20 members spread across 9 sectors, a reasonable starting point. As entities determine which markets to join and what services to utilize, it may be necessary to modify the lineup.

7. Tariff based funding for new public interest protections: To help safeguard the public interest, the Draft Proposal recommended a new Consumer Advocate Organization and an Office of 2 Public Participation. Both entities are contemplated to have minimal staff (possibly one or two staff members) and modest budgets funded through the tariff. The current BOSR funding structure would remain unchanged and not be funded through the tariff, but may be revisited in the future if stakeholders think reevaluation is appropriate. Do you support tariff-based funding for these enhanced public interest protections?

Please share as much detail as possible in your reasoning to help the Launch Committee understand the drivers for stakeholders on this topic.

NV Energy understands that direct participation in the CAISO's stakeholder process will be a new scope of work for many of the consumer advocate offices such as the Bureau of Consumer Protection in Nevada. Active participation in the stakeholder process is a vital part of market participation. Waiting until amendments are filed at FERC is not an effective form of engagement. Accordingly, NV Energy can support a limited tariff-based funding approach to assist the consumer advocates stakeholder participation. The funding levels should be generally consistent with the support identified by the BOSR to facilitate EIM oversight and participation today.

NV Energy would also support transitioning the BOSR funding from its current agreement-based format to a tariff structure.

NV Energy does not oppose the establishment of an Office of Public Participation. It appears that certain of the activities of this Office are currently being performed by groups under CAISO's Vice President of External Affairs and Vice President of Stakeholder Engagement of Customer Experience. These organizational roles would need to be addressed, especially in the Option 2.5 context.

8. Chapter specific feedback: In addition to the questions above, we are seeking feedback on the entire Step 2 Draft Proposal. Please use this space to provide general feedback by chapter, as well as feedback on the embedded technical questions by chapter. Step 2 Draft Proposal Chapter Headings

Chapter 1: RO Scope and Function

No additional comments.

Chapter 2: Formation of the RO

No additional comments

Chapter 3: RO Governance

Retention of the WEM Governing Body Members

With respect to the initial Board, the proposal recommends not reserving five of the seven seats for the existing WEM Governing Body members. While there is no cap on the number of WEM Governing Body members who can transition to the new RO Board, the recommendation is that they go through the Nominating Committee process. NV Energy requests that the requirement that existing WEM Governing Body members, who want to continue service on the RO Board be subject to the nominating process be reconsidered. Key to NV Energy's concern is the timing of the potential transition from the WEM Governing Body to the RO Board as it could coincide with the start of the new EDAM

market. The history of CAISO market startups has shown the need for amendments to meet unexpected outcomes. The current WEM Governing Body has great experience with the market design, has engendered significant trust and goodwill in the region, and can act with the necessary knowledge and speed. Thus, NV Energy would propose seating any of the existing WEM Governing Body members who wish to continue their service.

As with the WEM Governing Body selection policy today, once an WEM Governing Body member term expires, the Nominating Committee could determine whether to re-nominate without interviewing other candidates:

If a Governing Body Member whose term is scheduled to expire has expressed a desire to be nominated for a new term, the Nominating Committee should determine whether it wants to re-nominate the sitting Member without interviewing other candidates. In making this decision, the Nominating Committee should consider whether the sitting Member has the qualifications to serve in light of the additional responsibilities associated with EDAM. If the Nominating Committee does not decide to proceed in this manner, then it should first determine which set of diverse qualities would best complement the remaining Members and ask the Executive Search Firm to identify at least two qualified candidates to interview, in addition to the sitting Member.

Given the importance of oversight of the EDAM implementation, the need for a smooth transition to the RO structure, NV Energy would propose that all existing WEM Governing Body members who wish to continue service in accordance with their terms be permitted to do so.

Public Policy Sub-Committee of the Board

The Step 2 proposal notes that the RO's foundational documents will include language centering on protecting the public interest, and that the Launch Committee will develop Articles of Incorporation, bylaws, and any other official policies and procedures (collectively the "Corporate Documents") that become the foundational rules and procedures the RO will use to govern the WEIM, EDAM, and any other new program in the energy markets. The purposes and processes set forth in the Corporate Documents are enforceable under state corporation law and would become part of the tariff filed at FERC. NV Energy supports this approach.

However, the draft goes on to recommend the creation of a Public Policy Committee of the RO Board:

Before a tariff change or an initiative gets approved by the RO Board, an Advisory Committee of the RO Board, which would maintain active communication with representatives from each of the states, representatives from local power authorities, and federal power marketing

administrations, would confirm with those representatives whether the tariff change or initiative is consistent (or not) with each entity's policies. That Committee would then report the results of its communications with these representatives to the full RO Board to consider before taking a vote. The report would be informational only. This outreach by the Committee Members to these entities should take place late enough in the process so that the terms of the tariff change or initiative are well defined, but sufficiently in advance of any Board action so that the report can be fully considered. The Committee would also engage in early screening of initiatives to determine whether the initiative has the potential, or not, to affect any state, local power authority or PMA policy so that any potential impacts can be addressed during the initiative process.

NV Energy does not support the formation of this sub-committee. NV Energy has supported providing the BOSR and the Consumer Advocate Organizational support to assist in participation in the stakeholder process. If any entity, is dissatisfied with the outcome of that process, they have the right to appeal to the Board as a whole. Accordingly, the sub-committee should be unnecessary.

Chapter 4: Public Interest

No additional comments.

Chapter 5: Stakeholder Engagement

No additional comments.

Chapter 6: Pathways to Additional Services

NV Energy believes that the Step 2 Proposal can serve as an impetus for expanded organized market opportunities in the West. Certain services could be added onto the existing market design while others may require using a two TCA approach and reciprocity concepts to achieve RTO-like functions. The primary objective at this time should be to keep the market expansion momentum. The next step would be for a change in California law to permit the implementation of the RO concept and expand autonomous, independent oversight over the market.