

**West-Wide Governance Pathways Initiative  
Step 2 Draft Proposal**

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) submits these comments on the Step 2 Draft Proposal for the West-wide Governance Pathways Initiative (Pathways). PG&E appreciates the thoughtful and comprehensive Draft Proposal prepared by the Launch Committee.

- 1. Support for Step 2 Draft Proposal: 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.**

PG&E supports the Step 2 Draft Proposal.

- 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?**

PG&E supports starting with Option 2.0 to set up the Regional Organization and beginning a detailed and thorough analysis for future regional developments.

- 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?**

No comment at this time.

- 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 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.**

PG&E supports and agrees with maintaining a single integrated tariff initially and organizing it into areas of authority to potentially progress to separate tariffs in the future as stakeholders desire. This is part of the stepwise process of moving towards greater independence.

Regarding decisional classifications, PG&E seeks clarification and understanding of how the identified delineations and definitions will be reflected in the existing tariff and used in the processes, including tariff reorganization.

- 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.**

PG&E supports this structure as long as it adheres to the principles for independence outlined in FERC Order 719<sup>1</sup>.

- 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.**

PG&E supports the nine sectors as currently proposed. This structure ensures that different entities with common interests are represented. It enables each sector to voice their concerns as a collective, while promoting equal representation. PG&E is still unclear how the CAISO BAA will be represented on the Stakeholder Representative Committee. As the delineation between the CAISO market operator and the CAISO BAA becomes clearer, it is important that the CAISO BAA be given representation equivalent to any other participating BAA.

- 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 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.**

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<sup>1</sup> [Order No. 719 | Federal Energy Regulatory Commission](#)

PG&E supports the creation of an Office of Public Participation and a Consumer Advocate Organization. Understanding that these organizations benefit all customers, PG&E supports tariff-based funding paid for by all market participants.

- 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.**

### **Chapter 1:**

#### Financial Liability

PG&E agrees with the protections placed around CAISO's financial liability.

PG&E supports CAISO forming a taskforce to deal with its dual roles as an Extended Day-Ahead Market (EDAM) Balancing Authority (BA) and as the EDAM market operator. The Draft Proposal notes that there may be confusion over which "hat" CAISO is wearing when it is presenting BA-specific concerns: is CAISO wearing its EDAM BA "hat" or its EDAM market operator "hat". PG&E notes that this same confusion can arise when CAISO provides feedback in the policy development process as a subject matter expert, and it can also arise when CAISO needs to have a stakeholder initiative that falls under CAISO's sole authority.

This conflict-of-interest places CAISO in a challenging position and PG&E agrees with creating a CAISO taskforce to recommend how to create transparency and clarity within these functions without sacrificing efficiency is a logical step.

PG&E agrees with CAISO remaining the counterparty to contracts with various market participants at the outset of Step 2.

PG&E recommends the Draft Proposal more explicitly specify what is to become of the Western Energy Markets (WEM) Governing Body (GB) and how, when, and why that transition should happen.

### **Chapter 3:**

#### Role of the RO Board

The RO board will play a critical role in what kind of culture the stakeholder process takes on, and PG&E recommends ensuring the board selection and new RO Board are well informed about the development and context for the stakeholder culture this working group set out to create.

Specifically, the RO board should listen to content over process. For a few examples of how this may come into play: when receiving advice from the SRC, if the board begins counting votes by sector, then the stakeholders will begin organizing around that principle and the stakeholder process could become bogged down in bean counting. Another way in which this could come into play is if an entity, or group of entities, look like they are using the remand criteria to filibuster good policy, then the RO board must be willing to look past rigid processes and continue to hold the culture, objectives, and mission it set out on to be the north star.

## **Chapter 5:**

### Voting

PG&E supports voting at the individual entity level and continuation of the comment process currently in place at CAISO. This is a key aspect of the Draft Proposal that helps to ensure a democratic process where every voice is heard, and entities are equally represented.

PG&E appreciates the effort to build voting structure and criteria into the structure of the stakeholder process, but also has concerns it could be too rigid. The voting must allow for flexibility and learning as the new process rolls out to ensure it is transparent, equitable, and efficient. Voting is a powerful compromise and consensus builder but could bog down a stakeholder process. We must ensure we are monitoring and adjusting to maintain that balance.

### Decisional Classification

PG&E supports additional transparency and stakeholder feedback to the decisional classification process.

PG&E requests additional information on how a proposed decisional classification is resolved if there were a dispute among the stakeholders, or between boards. PG&E suggests adding a legal review to the process in cases where there is disagreement with the classification.

### Remand Criteria

PG&E supports the current remand criteria as a good baseline for arising dissent to the SRC and RO Board and providing an opportunity for those entities to address the issues. The RO Board, as a decision maker, has the ability to conduct the process as it sees fit and effective. This is a key provision that can prevent a subset of stakeholders from abusing the remand criteria. The RO board must be willing to step in and override a remand if it appears that one sector, or group of sectors, is trying to use the remand process to frustrate policy development.