



RE: Final Step 2 Proposal

Dear West-Wide Governance Pathways Initiative,

The Clean Energy Buyers Association (CEBA) appreciates the opportunity to provide input on the West-wide Governance Pathways Initiative (Pathways) [Step 2 Draft Proposal](#), including the recent [Revised Stakeholder Process](#).

We offer these comments in response to the discussion documents:

- 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.**

CEBA broadly supports the Step 2 Draft Proposal and believes the Pathways Initiative is on the right track. We commend the Launch Committee for offering several opportunities for public comments, building in extra iterations and outreach on the draft when needed, and working to incorporate the feedback stakeholders have offered.

- 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?**

CEBA continues to support an efficient, near-term evolution to Option 2.5 as the best option for the Regional Organization (RO) to formally offer market services and take on the related



responsibilities of that role. We also appreciate the value that a detailed feasibility analysis would bring to this transition and are comfortable with the new RO launching as Option 2.0 as it would still hold sole 205 rights and provide sufficient independence from the CAISO. If launching at Option 2.0, we strongly urge the Launch Committee to include a planned transition period to Option 2.5, or something similar, in the Final Step 2 Plan.

The eventual evolution to Option 2.5 is a critical step that will facilitate market expansion and enable services beyond WEIM/EDAM, up to and including a Regional Transmission Organization (RTO). CEBA continues to emphasize the potential for these new services to maximize overall consumer benefits, a core principle of the launch committee mission and stated goals of the initiative.¹ Consumer benefits are also driven by broad participation in market services, so we encourage the Formation Committee to prioritize the co-optimization of new services under the new vendor contract with the California Independent System Operator (CAISO) where possible.

. This level of involvement is consistent with the long-term goals of the initiative, as we discuss below.

- 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 comments 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 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.**

No comments at this time.

¹ https://www.westernenergyboard.org/wp-content/uploads/Mission-and-Charter_Dec-21-Ex-B-FINAL.pdf



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.**

The Pathways Step 2 Proposal offers several adjustments to the existing Market Monitor Unit (MMU), Market Surveillance Committee (MSC), and WEM Governing Body Market Expert designed to integrate these entities into the new RO structure while creating independence. CEBA supports these recommendations as they will help transition to the RO while maintaining Pathway's mission to utilize existing market structures and minimize costs.

As the RO evolution continues, we encourage Pathways to consider the adoption of an independent market monitor. Multiple Regional Transmission Operators, including PJM, ISONE, NYISO, and ERCOT, utilize an external market monitor operating as an external contractor.

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.**

CEBA has encouraged the Pathways Initiative to balance access and efficiency when designing a straw proposal for policy topic selection and supported the stakeholder process objectives developed during the public webinars.² We believe the Step 2 Proposal, including the October revised sector proposal, largely achieves these goals considering the challenges inherent in designing an innovative governance framework ahead of the launch of defined market services and participants.

In the context of indicative voting proposed by the Pathways Initiative, organizational-level votes will uncover differences of opinions and patterns that the RO board can leverage in its decision-making. Sectors will work to drive consensus across organizations and facilitate stakeholder engagement but will not obscure this granularity of organizational level data.

² The stakeholder process webinars have stated their goal is to develop a process that is open and accessible, clear and consistent, collaborative, timely, informed, transparent, and adaptable.



Finally, sector representatives and the SRC will work to drive consensus across sectors and advise the RO Board.

In October, the Launch Committee initiated an additional, fifth stakeholder process webinar allowing stakeholders to discuss the proposed sector design in greater detail and provide new feedback that guided a Revised Sector Proposal.³ In the revised proposal, three different sectors were allocated an additional seat on the SRC. Some sectors now hold granted as many as four seats while the Large Commercial and Industrial Sector remains at one seat. There is considerable diversity within the Large Commercial and Industrial Sector as well which the updated, larger SRC fails to capture.

CEBA emphasizes the value of a standalone Large Commercial and Industrial Sector and requests a second seat on the SRC to help represent our diversity. All end-use customers should be ensured access, a stake, and a role commensurate to other stakeholders. Large energy customers are often sophisticated power purchasers with useful insight into the impacts of market operations and should remain separate from consumer advocates, who often represent retail customers, to recognize the material differences between these groups. Many CEBA members represent significant load and are often in the top 10 customers of their utilities. CEBA's membership showcases this diversity as we present large energy buyers who span retailers, manufacturers, technology providers, hospitality, food and beverage, government agencies, banking and other sectors. CEBA members collectively cover every Western state in the U.S., representing both geographic and industry diversity.

Similarly, the Revised Sector Proposal recommended that the Nominating Committee, tasked with seating the RO Board, would include one representative from each of the nine sectors, plus a representative from the Body of State Regulators (BOSR) and the RO Board (non-voting). We agree that the Nominating Committee has very different roles and responsibilities than the SRC. The Launch Committee should collect more stakeholder input on the nominating committee before finalizing this representation and determine whether or not it appropriately balances the interests of load and supply.

CEBA supports the proposed Step 2 sector proposal, as a starting place, with these changes to the Large Commercial and Industrial sector and requests the final proposal includes formal re-evaluation of the sectors: 1) at the RO implementation phase and 2) around two years after implementation, at a minimum. The current sector definitions generally cover the breadth of

³³<https://www.westernenergyboard.org/wp-content/uploads/Revised-Sector-Proposal.pdf>



stakeholder types involved in the Pathways Initiative and these re-evaluation periods will help the RO Board examine whether or not the structure is enabling consensus and achieving the goals set out in the proposal. Future reevaluations should be conducted as stakeholder-led processes and the Stakeholder Representatives Committee (SRC) should be able to call for a reevaluation at future points, such as the launch of new market services. Meanwhile, the stakeholder process should maintain ongoing flexibility for stakeholders as participation evolves. For example, increased participation from local governments that are not transmission owners or municipal entities may require they consider which sector they are best represented by.

Finally, the October revised proposal also removed the automatic remand proposed considering the uncertainties for stakeholder participation levels and left in place a “significant opposition” trigger that opens up additional discussion at the SRC. CEBA continues to advocate for a 66% threshold within sectors and supports a simple majority to indicate opposition across sectors. The full September proposal acknowledged many comments supporting “allowing alternates, proxies, conducting open, public meetings, the creation of SRC working groups, as well as creating a guide to memorialize sector practices, organization, membership requirements and expectations.”⁴ We reiterate our support for these features that maximize stakeholder participation and are pleased with the alignment among other stakeholder groups. We also thank the Launch Committee for including an “abstention” option in the voting process as it will produce more specific data for the RO Board to consider and allowing any trade association representing large energy customers to be grouped in the same sector with its members to maintain efficiency.

- 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.**

⁴ Page 125, https://www.westernenergyboard.org/wp-content/uploads/Pathways-Step-2-DRAFT-Proposal_-FINAL.pdf.



No comments at this time.

- 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**
- **Chapter 2: Formation of the RO**
- **Chapter 3: RO Governance**
- **Chapter 4: Public Interest**
- **Chapter 5: Stakeholder Engagement**
- **Chapter 6: Pathways to Additional Services**

In relation to Chapter 5, CEBA applauds the Pathways Initiative for establishing a process that is designed by stakeholders and represents a meaningful evolution of governance for the West. Indicative voting, specifically, allows for clear communication of stakeholder sentiment while avoiding the administrative inefficiencies associated with a determinative voting system. This granular information combined with SRC's efforts to generate consensus will effectively guide decision-making for the RO Board.

The SRC contrasts with stakeholder committees in other markets which generally apply determinative voting structures at every level of stakeholder participation with inflexible sector definitions. In these contexts, participation required stakeholders to attend frequent meetings with consistent attendance to vote on every issue proposed to a working group. Stakeholders who were not able to consistently attend meetings faced potential expulsion from a given working group. This structure places a greater burden on less resourced organizations who may not have strong opinions on every proposed issue, but still need to participate in the broader decision-making process. The proposed Pathways approach to stakeholder engagement allows stakeholders to participate as they see fit, while ensuring that issues are resolved at an efficient pace.

Finally, as the RO moves closer to launch, CEBA encourages the Formation Committee to continue the transparency afforded by the Launch Committee and establish a productive dialogue with stakeholders on process design and effectiveness. Thanks to the hard work of the Launch Committee and



stakeholders who have devoted significant effort to craft robust structures and balance the needs of diverse future market participants, Step 2 moves us much closer to establishing an independent West-wide market and maximizing customer benefits.

Sincerely,
/s/ Heidi Ratz
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About CEBA

CEBA is a business trade association that activates a community of energy customers and partners to deploy market and policy solutions for a carbon-free energy system. The Clean Energy Buyers Association (CEBA) is a business trade association with more than 400 members that represent more than \$15 trillion in market capital and includes one-fifth of the Fortune 500.

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