



October 27, 2024

West-wide Governance Pathways Initiative
Pathways@westwidepathwaysinitiative.org
Comments@westwidepathwaysinitiative.org

Dear Launch Committee:

The Interwest Energy Alliance sincerely appreciates the detailed explanation of the Step 2 Draft Proposal issued on September 26, 2024 (Step 2 Proposal).¹ These comments will be brief because Interwest is part of the independent power producer sector represented on the Launch Committee, and the open and intensive process has generally allowed it to have significant input in the shaping of the Step 2 Proposal. We appreciate your consideration despite a brief delay in addressing some of these issues due to the press of business. Without repeating the questions, we are essentially responding to the following questions in the Step 2 Proposal: Question 1 (general support), Question 2 (stepwise approach), and Question 6 (sectors).

Generally, Interwest supports the recommendations and the background discussion supporting the recommendations included in the Step 2 Proposal. The recommendations reflect extremely positive movement forward. They reflect significant goodwill and hard work to collaborate and to compromise when necessary, among a diverse set of sector representatives including important California-based voices which were not previously engaged in this manner. The Step 2 Proposal appears to enable the new Regional Organization (RO) independently govern market operations, while implementing the stated goals of the July 2023 regulators' letter to the Western Interstate Energy Board.

Of particular note, Interwest supports the following:

- Improvements in the stakeholder process, which will be efficient while also increasing ability to access and influence policy, likely resulting in independent review of and improvements to existing policies and market operations (but noting the important caveats to this support below);
- Governance and entity formation principles which lay the groundwork for true organizational and policy-making independence, with continuing emphasis on the public interest; and
- Discussion of the ability to move towards providing additional transmission services on a voluntary basis in the future, with a feasibility study related to advancing to Step 2.5 or other alternatives for continued incremental progress soon after the RO is fully formed.

¹ https://www.westernenergyboard.org/wp-content/uploads/Pathways-Step-2-DRAFT-Proposal_FINAL.pdf.



Advancing to Step 2.5. Interwest has a particular interest in promoting prompt review and consideration of advancing to Step 2.5 as soon as feasible after the formation of the Regional Organization, for several reasons. Step 2.5 reflects greater independence since the RO is acting in the capacity of a governing body with full responsibility for the market, which is a material difference from acting as a policy making body over market functions, as in Step 2.0. Adding this additional layer of responsibility for all compliance requirements will enable the RO to exercise real independence over all market functions, and will also potentially provide additional assurance of lack of bias to all non-California states, utilities, and stakeholders. The added responsibility will also put the RO in a position of being able to independently weigh the benefits and costs of providing additional services if any market participants decide they would want collaborate in such a manner. Sharing of transmission services, including balancing authority consolidation, a single generator interconnection queue, an ancillary services market, and replacement of contract-path methodology with a flow-based methodology and financial transmission rights are all critically important goals to achieve outside of California. Consolidation of these functions can help to stimulate and reduce barriers to competitive supply and demand options within a market which is inherently dependent on the transmission system to operate. Preserving and enhancing competition is closely tied to the public interest, because of the additional layers of savings that competitive supply and demand options can provide. Interwest appreciates the discussion and explanations about how the recommendations will open up opportunities for “two worlds” transmission system optimization.² While Interwest would have preferred to move to a single organized wholesale market across much of the western interconnect, Interwest recognizes the need to move incrementally. Ultimately, while the western transmission providers working in the “rest of the west” outside of California are analyzing whether and how to organize themselves to voluntarily enable sharing of transmission services closer to a single regional transmission operator model, the RO can be building trust among decision-makers of all states and agencies, state utility regulators, federal regulators, utilities and transmission providers themselves. Continuing to work together under independent governance will help transform the provincial nature of the west related to utility operations into one which can eliminate the “point of friction” between the two market operations if this elimination continues to be seen as a worthwhile goal.

Stakeholder process and sector makeup. Interwest expresses some concern about the large and diverse independent power producer/independent transmission developer/power marketer sector being limited to representation by only 3 seats on the stakeholder committee. The limited number of seats allocated to this sector will constrain the influence of these important market participants. These business models are quite different from one another and there is often little overlap in their interests. Therefore, as recommended, review of the effectiveness of the stakeholder position allocation and whether allocating an additional seat to these sectors on the stakeholder group should be scheduled for careful consideration in the near future after the RO is formed. The potential for undue constraint of independent market participants which are at times acting in competition with the incumbent utilities and transmission providers may create concern that the stakeholder process will itself unduly limit participation by diverse sophisticated market operators, potentially dampening protections for robust competition. The limitations may also hide concerns from the RO board and staff which cannot be resolved by efforts for transparency, and may

² Step 2 Proposal, p. 97 *et seq.*



minimize the sector representatives' ability to advocate related to important concerns about market viability and efficiencies in the future. Therefore, the number of sector representatives should be scheduled for review as outlined in the Step 2 Proposal, following the timelines set forth therein, while preserving openness to real change if any weaknesses are identified in the future.

Furthermore, there is a lack of clarity which may create confusion and could easily be addressed. The description should also explicitly specify that trade organizations representing these groups could serve by filling one or more seats. The eligibility of trade organizations to represent the sector is explicitly authorized for the large customer stakeholder group. Mentioning this eligibility for trade organizations to represent their members one area without mentioning it for the IPP/ITC/marketer sector implies that it is not allowed in the IPP/ITC/marketer sector. Adding in this eligibility explicitly, or removing it from the large customer sector would resolve the potentially negative implication.

Interwest appreciates the opportunity to submit these comments.

INTERWEST ENERGY ALLIANCE

Lisa Tormoen Hickey,
Senior Regulatory Attorney
Lisa@Interwest.org

cc: Ben Fitch-Fleischmann,
Interwest Energy Alliance
Director, Markets and Transmission