

WEST-WIDE GOVERNANCE PATHWAY INITIATIVE

California Community Choice Association Comments on Initial Options Evaluation Framework

January 12, 2024

California Community Choice Association¹ (CalCCA) appreciates the opportunity to provide input on the Initial Options Evaluation Framework (Proposal) for the West-Wide Governance Pathways Initiative (Pathways Initiative). CalCCA strongly supports the direction of the Pathways Initiative charted by the Launch Committee and, as stakeholders work through the evaluation framework, encourages consideration of a stepwise solution.

1. The proposed evaluation framework will encourage the thorough and thoughtful development of a regional solution that meets the needs of Western stakeholders.

Evaluation Criteria. The Pathways Initiative aims to identify avenues for timely broadening participation in Western regional markets, recognizing the benefits of regional coordination available to all stakeholders. Broadening participation, in turn, requires identifying and addressing the concerns of Western stakeholders. The evaluation criteria identified in the Proposal, while intended to serve as high-level guidance, are well-tailored to respond to the concerns voiced by various stakeholders. CalCCA supports the list of criteria as presented by the Launch Committee, emphasizing the criticality of the final criterion: “an implementation timeline that promotes broad market participation.” The remaining criteria may be academic if the center of gravity in the Western region shifts to the Southwest Power Pool’s “Markets +” initiative before the Pathways Initiative can move forward.

Structural Options. The structural possibilities for increasing regional market coordination are many. The Launch Committee has thoughtfully presented a spectrum of structural options, including both bookends (initial boundaries for solutions) and bookmarks (five illustrative structures along the spectrum). While ultimately the debate will reach beyond regional *market* solutions to include regional *transmission* solutions, the Proposal’s initial spectrum of options targets a reasonably manageable scope of improvements to the existing market structure. While getting to a full regional transmission organization (RTO) may be the ultimate goal for some stakeholders, CalCCA acknowledges that going full force toward an RTO at this stage may be

¹ California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, Energy For Palmdale’s Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

counterproductive, putting off meaningful progress on governance for many years, and increasing the possibility of a fractured Western market.

Legal and Operational Questions. CalCCA recognizes that the legal and operational questions framed in the Proposal are intended as representative of the direction stakeholder exploration will take. The precise framing of these questions will vary with the nature of the option under consideration. CalCCA supports retention of legal counsel by the Launch Committee to frame and answer key legal questions and encourages close coordination with the California Independent System Operator (CAISO) to address operational issues.

2. A Stepwise Process of Market Evolution Warrants Consideration.

Development of broad, complex market structures requires years of design and additional years for implementation. Consider the course of development for the CAISO's Western Energy Imbalance Market (WEIM) and the Extended Day Ahead Market, which were both many years in the making. Embarking today on a complete redesign through a full RTO likely means not realizing any tangible progress toward more independent and autonomous markets for five to ten years. Even aiming toward a fully autonomous regional organization (RO) designed to operate energy markets within the next year is aggressive. Given the importance of timely focusing Western stakeholders on the Pathways Initiative, CalCCA recommends the Launch Committee consider a stepwise approach.

Step One. The first step of this approach should reach for the low-hanging fruit. Stakeholders should work toward maximizing the independence and autonomy of the WEIM governing body within the CAISO organization. This effort should focus on modifications of the current framing of Joint Authority between the WEIM governing body and the CAISO board, enhanced dispute resolution procedures in the case of disagreement between the two bodies and, possibly, changes to the WEIM board. A potential Step One solution would hover around what the Launch Committee has defined as "Option 0." Stakeholders should be careful, however, to avoid interference with the planned EDAM implementation.

As Step One advances, stakeholders should have a clear sense of the benefit of this incremental step. If Step One does not garner broader market participation, the time and resources invested will be wasted. The Step One process thus should include milestone "triggers" that *ensure* that if the authority of the existing Western EIM Governing Board is enhanced, it will bring new load to the CAISO markets.

Step Two. The second step of this approach should reach further toward the development of a separate RO – a new entity -- with greater independence and autonomy in governing and operating Western energy markets. Independence and autonomy, however, should be balanced with opportunities to leverage existing market structures. A potential Step Two solution would fall in the range of the Launch Committee's Options 1-4.

Step Three. The third step of this approach should reach toward the final end state of an RTO, building upon the success in the first two steps. This may involve incremental steps –

beginning, for example, with coordinated transmission planning – toward full integration of markets and transmission operations.

Step One and Step Two should proceed on parallel paths, understanding that implementation of Step Two will take more time. The Launch Committee should develop clear project plans with decision dates and milestones to ensure that both steps progress. Step Three should also be placed on the timeline, with a targeted date for an end state but less granularity in milestones toward that end.

CalCCA looks forward to the opportunity to work with and support policymakers and other stakeholders to advance the Proposal as the West creates vehicles for capturing the benefits of regional coordination.