



West-Wide Governance Pathway Initiative
Response to the August 29, 2023 Initial Questions

NV Energy

September 7, 2023

NV Energy thanks the Western regulators and the staff of the Western Interstate Energy Board (WIEB), the Western Interconnection Regional Advisory Body (WIRAB), and the Committee of Regional Electric Power Cooperation (CREPC) for taking a new and creative examination of possible governance structures for a market operator in the West. NV Energy joined the Western Energy Imbalance Market (EIM) in December 2015 and has been an active participant in the development of an organized day ahead market. NV Energy is under a statutory mandate to join a Regional Transmission Organization with an independent governance structure by January 2030. The Federal Energy Regulatory Commission (FERC) has characterized independent governance as a “bedrock” principle of organized markets. Given the diversity of interests, policies, and circumstances in the West, market participants, customers, and regulators must have confidence in the independence of the decisional process.

The August 29, 2023, overview solicits stakeholder responses to four questions. NV Energy welcomes to opportunity to participate in this initiative and offers our initial perspectives on these issues.

- 1. The design of Phase 1 is being facilitated outside of any existing organization or decision-making process. What pros and cons do you see to continuing this approach in Phase 1? If you see challenges inherent in this approach, what solutions do you recommend?**

Managing any stakeholder process, much less one of this size, complexity, and importance is challenging and time-consuming. The assistance of outside experts helps provide the necessary attention to move the effort forward in a timely manner. Use of the Regulatory Assistance Project in general and of Carl Linvill and Jennifer Gardner in particular, are excellent choices to facilitate the initiative. Both of these individuals have spent time on Western governance and market design issues and can step right into their roles. Given the challenges in establishing a new structure that may utilize existing CAISO functions in an agency capacity, it may be necessary to engage in additional legal support in California corporate and public benefit law.

As shown in the development of the Western Resource Adequacy program, facilitators can be a vital tool in the stakeholder process, but they need oversight as to the scope and timing of the effort, establishment of deadlines, and how to resolve potential conflicts. In other words, will this initiative be directed by the regulators who signed the initial letter or the broader WIEB membership?

It is helpful that the 501(c)(3) funding can be used to support the Phase 1 activities. It will be important for transparency to continue identify the source of the 501(c)(3) funding. Also, included in the Phase 1 scope should be how to fund Phase 2.

2. What is most important to you about the structure and process for Phase 1? What solutions would you propose to address your structure and process-related priorities for Phase 1?

For NV Energy, most important about the scope and process is to have up front agreement on the objective – **to develop a governance structure that is independent in both reality and perception**. All other FERC-jurisdictional RTOs operate under fully independent governance. Those that contain multiple states, do not differentiate by size (in terms of geography, population, electric resources, or load) or public policy. If a Western organized market is to have broad participation it must accommodate states that have adopted GHG programs, states that have pursued decarbonization by means of renewable portfolio standards, and states that have not established carbon-related regulations. The governance design must define a role for states that promotes equality such as the existing BOSR, COSR, and SPP RTO structures.

3. What do you like about the brief description of the Phase 1 scope and what would you change in the Phase 1 scope? Please provide your reasoning for any changes you propose.

NV Energy supports the description of the Phase 1 process as including the form, mission, and scope of an entity with independent West-wide governance. Today, the CAISO performs a number of functions: Western market operator, Balancing Authority, backstop procurement for load in the CAISO Balancing Authority Area. Presumably, this initiative will focus on how to move from a joint authority model to one in which oversight is performed by a fully independent Board. This objective raises numerous issues, including but not limited to:

- Which of the CAISO's activities can be transferred to this new entity and new Board – will the new entity only have oversight of the market operator or would the new entity also have responsibility for Reliability Coordinator functions as well? Can the new entity assume Balancing Authority responsibilities? What will the role of the new entity be with respect to transmission planning and cost allocation? What will happen to market monitoring – will oversight be transferred to the new entity?

- How will the Board of the new entity interact with the existing CAISO Board? Will the EIM Governing Body and the Independent Market Advisor cease to exist or be subsumed into the new entity?
- Boards can exercise control over organizational structures, management compensation and performance review, and operational and capital budgets. What will be the relationship of the Board of the new entity to CAISO management, budgets and stakeholder priorities?
- What type of relationship can the California utilities have with the new entity under existing California law based on the functions of the new entity? Can the California investor-owned utilities join the new entity?

This is not meant as a complete list of questions but rather to illustrate the complexity of the task ahead. With a goal of creating an organizational structure that has independent governance and can accommodate participation by California utilities, it will be imperative to have transparent and durable answers for these questions.

- 4. What stakeholder engagement model do you believe is best suited to simultaneously enable:
 - a. broad stakeholder involvement in Phase 1 and future phases; and**
 - b. An ability to efficiently move through the work that must be completed in each of those phases?****

NV Energy believes the West has developed good models of inclusive stakeholder processes. Typically, these have combined the use of a smaller working group to develop a straw proposal that is then reviewed in a series of meetings open to all participants. Use of both in-person and virtual options has enhanced the ability to participate beyond those entities with larger budgets. Stakeholders are then given the opportunity to provide written comments, which help inform the development of the next proposal by the working group. The EIM Governance Review Committee is an example of this approach. One way of expediting development of an initial straw proposal may be to take advantage of the work done by a small group initiated by Southern California Edison and supported by other western utilities as a proposal in which to begin stakeholder discussions.

The composition of the working group is of critical importance to ensure not only diversity of interests (IOU, public power, state authorities, independent power producers and marketers, consumer and environmental groups) but also to provide geographic representation within the groups (California, Northwest, Desert Southwest, and Intermountain West). There is a balance between the time needed to prepare the iterative proposals, to conduct the meetings, and to provide a meaningful opportunity for comments. It will be important to set initial timing goals, but there must be the ability to adjust if necessary to develop a durable governance framework.

NV Energy reiterates its support for this initiative.