



Affordable Reliable Energy Alliance

General Counsel: Peter J. Gould
t: 505.988.4804
f: 505.988.5802
e: peter@thegouldlawfirm.com

Co-Counsel: Kelly D. Gould
t: 505-690-1914
e: kelly@thegouldlawfirm.com

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West-Wide Governance Pathways

Attn: Launch Committee

Pathways@WestWidePathwaysInitiative.org

Comments@westwidepathwaysinitiative.org

Re: Comments of the New Mexico Affordable Reliable Energy Alliance on Pathways Step 2 Draft Proposal

The New Mexico Affordable Reliable Energy Alliance (NM AREA) is an organization that represents the largest consumers on Public Service Company of New Mexico's (PNM) system. NM AREA supports the development of organized Western energy markets and provided its Initial Comments in this process on May 8, 2024. NM AREA strongly believes that the development of organized regional markets has the potential to provide many significant benefits to consumers, including, but not limited to, lower costs from improved regional coordination of generator dispatch, more optimal investment in market infrastructure, enhanced reliability and integration services, greater resiliency of the regional grid, and reduced emissions from a more efficient dispatch of energy including from intermittent renewable resources.

The Step 2 Draft Proposal's focus on consumer benefits is recognized in the Draft where it states as one of its main goals, the "[p]rotection of the public interest with mechanisms to incorporate customer interests and protection of state, local, and federal policies embedded throughout the RO formation, operations, and processes." Pathways Step 2 Draft Proposal, p. 3. This focus on consumer benefits is also seen in the document's definition of "public interest" where it states that "[t]he focus and definition of 'public interest' is centered around the dual principles of: how customer interests, including affordability and reliability, are safeguarded in non-discriminatory market design and operations; and how state and local policies, even as they differ across the West, are respected in market design." *Id.* p. 7.

It is with the goal of enhancing and protecting benefits to the consumers that NM AREA makes the following recommendations and comments:

1. NM AREA supports the general approach the Launch Committee has adopted in the Step 2 Draft Proposal. In particular, NM AREA supports the recommendation of the formation of a Regional Organization (RO) as the first step in the eventual formation of a full Regional Transmission Organization (RTO). NM AREA agrees that the lessons learned in this initial step will help ensure that the full RTO will provide the appropriate level of independent governance at reasonable cost to consumers.

2. NM AREA strongly believes that the October 14, 2024, proposal for the makeup of the Stakeholder Representative Committee (SRC) is inadequate. Under the Draft Proposal, the “SRC will be the primary stakeholder body that works with RO staff to catalog and prioritize initiatives, as well as to define initiative problem statements and solutions.” *Id.*, 74. Thus, the SRC’s role is critical to the overall success of the RO as it is the part of the organization that brings stakeholder concerns directly to the Board. However, in the Draft Proposal, consumer representatives are allocated only two seats on the nineteen-member Committee. If this proposed SRC makeup is adopted, consumers, who will be paying the entire cost of the RO once it is established, will have a smaller voice than independent power producers and transmission owners, with 3 members, combined EDAM and WEIM entities, with 5 members, and Non-IOU load serving entities, with 4 members. NM AREA’s preference would be for an SRC with a majority of both small and large consumer representatives, i.e., a minimum of 10 Committee positions. At the very least, NM AREA recommends that consumers should have a voice on the SRC, which is greater than the Non-IOU load serving entities. To ensure the adequate representation of consumers’ interests, NM AREA recommends that the SRC should have a minimum of 3 members that represent residential and small business customers and an additional 3 members to represent commercial and industrial (C&I) customers.
3. NM AREA also believes that the role of the sectors in the nomination process for RO Board members needs to be better defined. Currently, the Draft Proposal only states that “[t]here will be a Nominating Committee of sector members (to be identified by the Stakeholder Process workstream) as well as a member from the BOSR [Body of State Regulators] and the RO Board.” *Id.* p. 57. NM AREA understands that the Launch Committee is taking additional time to further develop this portion of the Draft Proposal. NM AREA recommends that in this process the Committee consider the appropriate weight on the Nominating Committee for each sector. It is NM AREA’s belief that, as the sector which bears 100% of the costs arising from RO management decisions, the consumer sector should be allocated the dominant share of seats on the Nominating Committee. While virtually all stakeholders share in the global goals of maximizing affordability and reliability (to the extent possible), all other stakeholders have private interests which necessarily conflict with those of consumers. Understanding that reality and recognizing the shortcomings in governance in regional transmission organizations established more than two decades ago in other parts of the country, NM AREA strongly recommends that consumers be given the most input on selecting Board members. The decisions of the Board will directly impact consumer rates as it is the body that will approve new investments and changes in market design and operations. All of the costs which will result from these Board decisions will be borne by consumers and no one else.

4. NM AREA further recommends that the criteria and qualifications for selecting Board members be expanded to more explicitly include individuals with direct experience in representing consumer interests in litigation and lobbying efforts. As currently written, the Draft Proposal, in its Public Interest section, states that the Nominating Committee should consider “individuals with a demonstrated reputation and record of commitment to consumer issues.” *Id.*, p. 59. This qualification is too vague. NM AREA recommends the following alternative language in this section of the Draft Proposal: “individuals with demonstrated experience in defending and promoting consumer interests in regulatory and administrative proceedings including State and federal rulemakings and litigated tariff and related matters, and individuals with legislative and lobbying experience on behalf of consumer interests.”
5. NM AREA supports the proposed creation of a new independent Consumer Advocate Organization (CAO). *Id.*, pp. 7, 64. As noted, the purpose of the CAO would be “to facilitate engagement by each consumer advocate office authorized by state law in the stakeholder process and other RO engagement opportunities.” *Id.*, p. 64. NM AREA also supports the proposed funding of this office through tariff revenue. *Id.*, pp. 66-67.

NM AREA applauds the Launch Committee’s efforts in crafting its comprehensive Step 2 Draft Proposal and appreciates the opportunity to provide these comments in this evolving stakeholder process.

Regards,

Peter Gould, Esq.
peter@thegouldlawfirm.com

Kelly Gould, Esq.
kelly@thegouldlawfirm.com

NM AREA Counsel