

Stakeholder Comment Template: CAISO Issues and Tariff Analysis

The Launch Committee has identified several specific areas that would be valuable to receive input to help refine this area of the Step 2 Proposal. All feedback is welcome, but responses to the following questions would be particularly helpful:

CAISO Issues

Please provide feedback with as much detail as possible on the following topics:

1. Structure: Should the RO be an organization that primarily consists of a policy-setting board (Option 2) or an organization that formally offers and bears ultimate responsibility for market services (Option 2.5)?

Tacoma Power appreciates the opportunity to provide comments to help refine the Step 2 Proposal being developed by the West-Wide Governance Pathways Initiative (WWGPI) and has benefitted from WEIM membership since joining in 2022. We recognize the potential for increased benefits from EDAM participation and view the decision to join a day-ahead market as a long-term decision. Tacoma Power hopes not to exit a day-ahead market in the future because doing so would involve significant stranded costs. In connection with that hope, we are not contemplating joining a day-ahead market unless the market is built on a durable framework of fully independent governance.

In connection with those objectives, Tacoma Power could consider EDAM participation under Option 2.5. Independent governance sufficient to support a long-term commitment to a day-ahead market requires at a minimum a durable structure that ensures California retail load and other California policies and interests will not overshadow the interests of other market participants or their retail customers. Tacoma views that threshold standard as applying to (1) policy and tariff development and (2) market services. Market operations cannot be fully independent if the same entity that is ultimately responsible for market services also functions as a balancing area authority participating in the day-ahead market.

2. RO-CAISO relationship: Should the RO's contract with the CAISO be a governance-focused interface agreement (Option 2) or a contract for services from a markets vendor (Option 2.5)?

For the reasons stated in the answer to Question 1, Tacoma Power could consider EDAM participation if the RO's contract with the CAISO is a contract for services from a market vendor (Option 2.5). Additionally, Tacoma Power does not consider the interface agreement contemplated in Option 2 to be more governance-focused than Option 2.5. Durable independent governance requires consideration of both (1) policy and tariff issues, and (2) oversight of market services and operations.

3. Cost: How important to you or your organization is implementation cost in evaluating Option 2 versus Option 2.5?

Tacoma Power is always mindful of costs that are passed on to its customers and is considering day-ahead market options that provide net economic benefits. But because we view joining a

day-ahead market as a long-term decision that should avoid future stranded costs, fully independent governance is a necessary threshold. The costs necessary to achieve that independence are an essential component of the overall costs and benefits Tacoma Power would analyze when deciding whether to participate in any day-ahead market.

4. Independence: How valuable is the increment of institutional independence gained in Option 2.5 relative to Option 2?

Tacoma Power does not view institutional independence in terms of increments; that independence is a requisite threshold before the utility could consider participation in a day-ahead market. That requisite threshold requires independence of (1) policy and tariff issues and (2) market services. A day-ahead market cannot achieve durable independent governance if market services and operations are the responsibility of an entity that also participates in the market as a balancing area authority.

5. Responsibility: Do you have any feedback on the level of institutional responsibility the RO would bear in Options 2 and 2.5, as outlined in this presentation?

Tacoma Power appreciates the thorough work of the WWGPI in outlining those levels of responsibility under either option. We do not have any feedback to modify those potential scenarios.

6. Liability: Are there any particular aspects of financial liability borne by the RO in Options 2 and 2.5 that you would like to raise or address?

Tacoma Power agrees that consideration of RO financial liability is a crucial component of a day-ahead market and welcomes the analysis. We do not have any feedback to modify that analysis.

7. Evolution: Does either option offer a durable institutional home to oversee or host services beyond energy markets?

Currently Tacoma Power is not contemplating additional services from CAISO beyond a day-ahead market.

8. Given the potential time needed to rework market-related contracts and establish sufficient contingency reserves, among other matters, do you perceive value in a Step 2 approach that would begin with Option 2 and then transition or evolve to 2.5?

Timing is a significant aspect of this issue. Like many other entities in the Western Interconnection, Tacoma Power has been funding and participating in the development of the Southwest Power Pool's Markets+. A concrete move to increase the independence of governance for both WEIM and EDAM as contemplated on Option 2.5 would be helpful. Implementation of Option 2, on the other hand, is not likely to provide Tacoma Power the

necessary confidence in the durability of independent governance to consider participation in EDAM. Additionally, it is difficult to envision a scenario where Option 2 is implemented in a way that develops meaningful confidence in the future implementation of Option 2.5.

Tariff Analysis

9. Do you agree with the suggested areas where the CAISO and the RO would each have sole authority and the areas where they would have shared authority? Please provide as much detail as possible why you agree or disagree and suggestions on possible alternatives.

Tacoma Power appreciates the analysis the WWGPI has conducted relative to the potential tariff responsibilities of the CAISO and a future RO. We do not currently have feedback to modify that preliminary analysis. We hope that in the event of enacted California legislation to enable the RO, stakeholder engagement opportunities will continue on that issue.

10. Do you agree with the suggested principles proposed to determine RO sole authority? Please provide as much detail as possible why you agree or disagree and suggestions on possible alternatives.

The suggested principles are an appropriate foundation for the necessary future implementation decisions. California legislation enabling Option 2.5 would be more durable with the inclusion of those principles in statutory language.

11. Do you agree with the suggested principles proposed to determine CAISO sole authority? Please provide as much detail as possible why you agree or disagree and suggestions on possible alternatives.

The suggested principles are an appropriate foundation for the necessary future implementation decisions. California legislation enabling Option 2.5 would be more durable with the inclusion of those principles in statutory language.

12. Do you agree with the suggested principles proposed to determine overlapping authority? Please provide as much detail as possible why you agree or disagree and suggestions on possible alternatives.

The suggested principles are an appropriate foundation for the necessary future implementation decisions. California legislation enabling Option 2.5 would be more durable with the inclusion of those principles in statutory language.

13. Please provide feedback on the proposed options for dealing with overlapping authority with suggestions for other possible options.

No additional feedback.

General feedback:

14. Do you have any additional feedback you would like to share with the Launch Committee on these topics?

Tacoma Power appreciates the work that has been done by those involved in the WWGPI and the consideration of these comments.

Written comments are due on August 19, 2024. Please submit comments via email to Comments@WestWidePathwaysInitiative.org. Thank you in advance for your time and feedback. We look forward to receiving your comments and ideas.