

**COVER PAGE**

**Wholesale Electricity Market Engagement in the West**

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*Lead Organization:* Washington State Department of Commerce

*States:* Washington Utilities and Transportation Commission, Public Utility Commission of Oregon, California Public Utilities Commission, Public Advocates Office of the California Public Utilities Commission, California Energy Commission, New Mexico Public Regulation Commission, New Mexico Energy, Minerals & Natural Resources Department, Utah Office of Consumer Services

Western Freedom, Western Resource Advocates, Northwest Energy Coalition, Environmental Defense Fund, Union of Concerned Scientists, Advanced Energy United, Clean Energy Buyers Association, Northwest & Intermountain Power Producers Coalition, Interwest Energy Alliance, Western Power Trading Forum, Southern California Edison, Pacific Gas & Electric Company, Balancing Authority of Northern California, Northern California Power Agency, California Community Choice Association, Renewable Northwest, Regulatory Assistance Project, Portland General Electric, Seattle City Light, PacifiCorp, Arizona Public Service Company

## **Project Description**

### **Section 1. Project Motivation**

The U.S. energy sector is in the midst of an unprecedented transformation, nowhere more apparent than in the electricity sector. With increasing electrification of sectors including transportation and buildings, more demand for electricity to support data centers and manufacturing necessary to power and develop the items we use every day, and retirement of older, often thermal generation fleets that have been the backbone of our electricity system for many decades, more coordination and more energy infrastructure are necessary across the country. Recent laws, including the Bipartisan Infrastructure Law and the Inflation Reduction Act, are making historic investments to modernize the electric grid, reduce carbon emissions, and spur new, diverse energy development.

The West itself experiencing a rapidly changing energy landscape. With electrification, the rapid deployment of artificial intelligence, and the resurgence of American manufacturing for the first time in decades, western states need an increasing number of electrons, particularly carbon free electrons, to support this anticipated load growth. Western states face reliability challenges due to a number of issues such as an aging grid, widespread electrification, and the complex impacts of a variable climate such as wildfire risk, extreme heat impacts, and higher demand variability. Western power providers are building out new and diverse energy resources in ways that maximize local advantages and local resources could be more complementary across the region when properly deployed through a market.

A regional electricity market can help manage around and through these challenges and variability more rapidly, reliably, and affordably, by optimizing the use of energy resources on a regional basis—not just balancing across seams between markets but doing away with the seams altogether. Organized electricity markets through multi-state coordination are a key tool for a successful electric sector transformation; well-functioning energy markets will support intentional, timely, cost-effective clean energy deployment while buttressing system reliability, to the benefit of energy consumers across states. To accomplish this, the West needs to continue to enhance existing processes and create forums that build collaboration, trust, and transparency.

### **Section 2: Project Context**

The Western Interconnection is the largest and most geographically diverse in the US. It reflects the most transmission miles and largest number of entities registered under the NERC functional model. Adding to this complexity is that it is an aggregation of 38 balancing authorities, each largely retaining its discretion for dispatch and control of individual systems and responsibility for meeting federal reliability standards. This decentralization allows for the benefits of local control and some state oversight but does not always produce the most efficient, cost-effective and reliable system operation outcomes.

In recognition of this, decades ago, various Western Interconnection sub-regions attempted to organize themselves into coordinated dispatch entities (RTO or ISOs) with names such as InDeGo, Desert STAR, RTO West and others. For many reasons—including often disputes over governance—these sub-regional endeavors did not come to fruition. The exception was the formation of a single state independent system operator, the California Independent System Operator (CAISO), as the California Legislature mandated its investor-owned utilities to restructure and turn control of systems to the CAISO. Realizing the benefits of such integrated markets is partially dependent on factors, including the diversity of resources and climate and connectivity of one sub-area to another. Some states and utilities benefit more than others, which presents an understandable source of debate on how to proceed. Discussion persists over administrative structure, desired services, market footprints and governance. Outreach and stakeholder engagement are essential to having a common understanding in the West.

The West has already realized huge benefits by establishing energy imbalance markets. The Western Energy Imbalance Market (EIM), for example, has saved its participants over \$4.6 billion since its inception in 2014.<sup>1</sup> A day ahead market promises at least two times greater benefits. Estimates vary widely depending on footprint, timeframe, benefits assessed and simulation approach, but are on the order of \$1.2 billion annually if implemented interconnection-wide.<sup>2</sup> CAISO submitted tariff language for an Extended Day Ahead Market (EDAM) to FERC in August on behalf of many stakeholders. The proposed tariff contains governance provisions using a joint authority model deemed acceptable by supporting entities. Utility participation in EDAM is growing and is expected to expand further with FERC approval.

All studies show that the larger and more diverse (in multiple dimensions) the entity footprint is, the greater the benefits to consumers. However, governance remains a challenge until a path to independent governance (that reflects the diversity, priorities and opportunities in the West) is identified.

### **Section 3: Project Activity, Goals, Stakeholders, and Topics for Convenings**

**Proposed Activity.** Aiming to forge consensus on governance, a coalition of western state public utility commissioners and other officials proposed a broad stakeholder process to explore options for West-wide governance. This process is now formalized as a stakeholder-driven initiative called the West-Wide Governance Pathways Initiative. The Pathways Initiative seeks to expand stakeholder engagement and support a more extensive, inclusive and robust outreach process, including meaningful outreach for decision makers and stakeholders.

The Pathways Initiative is open to all western states and provinces, and encompasses a broad range of stakeholders, including public power agencies, investor-owned utilities, power

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<sup>1</sup> [Western EIM Quarterly Benefits Report, November 2023.](#)

<sup>2</sup> [Extended Day Ahead Market Fact Sheet 2023.](#)

marketing agencies, generators, trade associations, tribal governments, customer advocates, and public interest organizations.

Both during the initial administrative and implementation phase, as well as once the entity is fully functional, the effort will require stakeholder engagement that includes regular sector wide meetings and establishment of working groups to address specific issues and draft recommendations. Meetings will be held virtually and in person and will demand support staff including meeting facilitators, technology support, drafting of communications and informational materials and consultants with areas of expertise specific to the wide range of pertinent technical, financial and legal topics.

**Goals.** Learning from other stakeholder engagement processes across the West and nationally, this effort aims to create a program that enables engagement by western entities in a transparent, equitable, and accessible manner. That program will support goals of the Pathway Initiative, ensuring that the end result reflects priorities, diversity, and opportunities of all western states. Its main goals include fostering the collaboration among Western entities that is needed to create an entity that can build on the widely acknowledged success of the EIM, maximize the benefits from West-wide markets, and manage their evolution into the provision of other energy services, potentially including development of a Western RTO option.

A Launch Committee with broad-based participation formed and held its first meeting October 31, 2023, with plans to establish a non-profit institutional home in early 2024. The Pathways Initiative's goals are to develop a new, independent West-wide entity capable of:

- enabling the largest footprint possible that includes California and maximizes overall consumer benefits;
- including independent governance for all market operations;
- and preserving and building upon existing CAISO market structures that serve over 80% of the Western interconnect, including the WEIM and the proposed EDAM for which a tariff has been submitted to FERC.

A primary goal will be to minimize duplication and incurrence of costs for both the market operator and the market participants and offer a flexible structure to accommodate the future voluntary provisions of full RTO services for those entities that desire to do so, but not mandate that any entity must join such a future potential RTO.

**Stakeholders.** This effort will include a diverse set of stakeholders across the western U.S., as described previously above (e.g., investor-owned utilities, consumer-owned utilities, federal power management agencies, independent power producers, public interest organizations, state energy offices and regulatory agencies, consumer advocates, labor, and large energy customers.) A list of public and private entities currently participating in the Pathways Initiative is provided in the Addendum.

**Discussion Topics.** A wide array of initial topics will be addressed, most centrally: 1) Nature of the independent board and its membership; 2) Scope and specifics of services to be offered; 3) Funding and durability; 4) Interest in and ability to offer a path forward to full-scale RTO implementation, including discussion of the nexus with other collaborative regionalization efforts across the West (i.e., those addressing regional capacity expansion of the power grid, such as Western Power Pool's Western Resource Adequacy Program (WRAP) and Western Transmission Expansion Coalition (WTEC)). Specifics could include hearing priorities and concerns from different stakeholders to inform the Initiative and sharing results of technical studies to discuss the costs and benefits of moving towards a regional market and RTO. The growth and evolution of this new entity after implementation will require additional and ongoing stakeholder engagement.

**Needs and Resources.** The Pathways Initiative requires resources to support inclusive outreach and participation from western states and non-state entities. While core funding for the Launch Committee and beyond will be provided by engaged utilities, industry stakeholders and potentially states themselves, DOE resources will be critical to enable participation by those who may otherwise be under-resourced or under-represented (e.g., state-level entities, tribal governments, representatives of underserved constituencies and public interest groups). The goal is to develop approaches for enabling broader engagement of stakeholders through such activities as providing funding for participation in gatherings, developing web content to share approaches, activities, and other educational materials in multiple languages.

These needs can be organized into four categories:

1. *Resource, outreach and educational materials.* These could include basic descriptive and analytic materials describing integration, benefits and impacts specifically tailored to select audiences.
2. *Staff resources.* Ambassadors to perform outreach targeted to understand stakeholder needs and facilitate gatherings.
3. *Participation at gatherings.* Funding to support travel and inclusion at in-person meetings and gatherings.
4. *Facilitation.* Additional support for stakeholders to meaningfully participate, such as professional facilitation and a website for stakeholders to track process.

Funding through the FOA grant is essential to performing outreach to states and groups not yet aware of, or able to participate in, the new non-profit independent governance entity envisioned by those initiating the Pathways Initiative activities. It will further the creation of a structure and process that is inclusive and accessible to a diverse set of stakeholders, serving as one of the critical foundations of the new independent governance entity.

**Section 4: How the proposed convening process would address the knowledge gaps, limitations, and challenges facing the electricity industry.**

There are existing efforts to facilitate greater public participation and education in regional electricity markets and transmission planning and operation (e.g. FERC Office of Public Participation, WRAP, Western States Transmission Initiative, state committees for WEIM and WEIS (i.e., BOSR and COSR)). Each of these can contribute best practices that incorporate the most successful and mature efforts in the West. This effort is necessary to build inclusive participation in a new west-wide, independent entity from the ground up.

Enhanced outreach and engagement by the applicant and supporting groups will ensure that entities wishing to participate in the Pathways Initiative decision-making processes are provided the means and opportunity to engage meaningfully. This is foundational to the entity's ability to carry out its mission of operationalizing the Western region's reliability, affordability, and climate goals.

**Section 5: Funding**

This application is for \$400,000 annually for a two-year period. This funding is necessary for major Pathways support functions—development of informational materials; outreach to key stakeholders; regular convenings through virtual and in-person gatherings; and facilitation to ensure meaningful participation by those who wish to engage. This includes:

- Facilitation, leadership, staffing, virtual meetings and administrative support
- In-person convenings four times per year;
- Funding for up to 50 people to attend the quarterly in-person meetings.

It is impossible to overstate the importance and impact of DOE funding for the essential work of the Pathways Initiative; without these resources, broad-based engagement efforts will not be viable. Funding is necessary for a complete range of activities that can contribute to an increased degree of agreement that can offer lasting success. Launch Committee members (see Addendum for list of members and organizations) and other stakeholders are investing major in-kind resources in support of their own participants' engagement time. WIEB currently hosts the Pathways Initiative's materials online; this funding will allow for the creation of an independent website, which is a critical component of communication and success. Other in-kind services will be sought if the proposal is successful.

### Addendum

The Washington State Department of Commerce submits this concept paper on behalf of the Pathways Initiative. If invited to apply, the primary grant recipient is subject to change.

A launch committee has been established to lead the first steps of the Pathways Initiative. Launch committee members include state energy offices and public utility commissions in the West (Washington, Oregon, California, New Mexico, and Arizona), a broad coalition of public power agencies, utilities, power marketing agencies, generators, trade associations, customer advocates, and public interest organizations (see roster). The California Independent System Operator (CAISO) has also indicated availability to the launch committee. The Pathways Initiative has so far established working groups and scoped potential structural scenarios for the new entity (Fig. 1).



**Figure 1.** Timeline and key milestones proposed by the West-Wide Governance Pathways Initiative Launch Committee.

Those participating in the Pathways Initiative have demonstrated ability to perform similar tasks of regional electricity market coordination.

*State regulators and energy offices:* The Arizona Corporations Commission, California Energy Commission, California Public Utilities Commission, Oregon Public Utility Commission, Washington Utilities and Transportation Commission, and New Mexico Public Regulation Commission have actively engaged in regional collaborations, such as the EIM and WRAP. These state entities have deep expertise on issues related to regulation of the electricity sector. They have convened and facilitated key conversations such as reliability, building and transportation electrification, climate impacts on energy supply and demand. By fostering cross-state partnerships and sharing best practices, these commissions and agencies play a crucial role in advancing sustainable and efficient energy solutions across the western United States.

## Pathways Initiative – Launch Committee Roster

November 14, 2023

### States/Provinces:

Milt Doumit, Washington Utilities and Transportation Commission

Kevin Thompson, Arizona Corporation Commission

Alice Reynolds, California Public Utility Commission

#### *Alternates:*

Letha Tawney, Oregon Public Utility Commission

Siva Gunda, California Energy Commission

Pat O’Connell, New Mexico Public Regulation Commission

### CA Investor-Owned Utility Transmission

#### Owners:

Scott Ranzal, Pacific Gas & Electric

Jeff Nelson, Southern California Edison

#### EIM Entities:

Alyssa Koslow, Arizona Public Service

David Rubin, NV Energy

Kerstin Rock, PacifiCorp

Pam Sporborg, Portland General Electric

### Public Power and Coops:

Josh Walter, Seattle City Light

Jim Shetler, Balancing Authority of Northern California

Randy Howard, Northern California Power Agency

Connor Reiten, Pacific Northwest Generating Cooperative

### Independent Power Producers:

Scott Miller, Western Power Trading Forum

Jan Smutny-Jones, Independent Energy Producers Association

Ben Fitch-Fleischmann, Interwest Energy Alliance

#### *Alternates:*

Spencer Gray, Northwest & Intermountain Power Producers Coalition

Lisa Tormoen Hickey, Interwest Energy Alliance

### Residential and Small Commercial

#### Customers:

Michele Beck, Utah Office of Consumer Services

Matt Baker, CalAdvocates

### Large Commercial:

Kathleen Staks, Western Freedom

#### *Alternates:*

Heidi Ratz, Commercial Energy Buyers Alliance

### Technology Companies and non-utility service providers including DR and DERs:

Brian Turner, Advanced Energy United

### Non-utility Load Serving Entities:

Evelyn Kahl, California Community Choice Association

#### *Alternate:*

Beth Vaughan, California Community Choice Association

### Labor:

Marc Joseph, International Brotherhood of Electrical Workers, California

### Public Interest Organizations:

Michael Colvin, Environmental Defense Fund



Alaine Ginocchio, Consultant to Western  
Resource Advocates

Ben Otto, NW Energy Coalition

*Alternates:*

Mark Specht, Union of Concerned Scientists

**Power Marketing Authorities:**

Chrystal Dean, Western Area Power  
Administration

*Alternate:*

Tina Ko, Western Area Power  
Administration