DRAFT

REGIONAL ORGANIZATION FOR WESTERN ENERGY GOVERNANCE AND FUNCTIONS TARIFF

Effective [DATE]

This draft ROWE Governance Tariff does not reflect final work product of the Regulatory Structure Working Group but is instead an update on the Working Group's current thinking. The draft is designed to give stakeholders an understanding of where things currently stand and will continue to evolve and change as our work continues between now and when the independent ROWE Board is constituted. Our intent is to provide an updated version of this document to the ROWE Board as a potential place to start if it chooses to move forward with a governance tariff to file at FERC. While we have had some preliminary conversations with CAISO staff about some of the concepts included within this document, which have been helpful in developing the Working Group's current thinking, this document is not intended to reflect any agreement between the CAISO and the Working Group on any of these topics, all of which will continue to be developed after the independent ROWE Board is seated.

This draft includes provisions that encompass the ROWE's core functions, in accordance with the Step 2 Proposal, and the process for exercising sole authority over market rules, drawing from the ROWE Bylaws and modeled on relevant provisions of SPP Markets+ Attachment O (Governance) and the Western Resource Adequacy Program Tariff. While the Governance Tariff would not bind the CAISO in any way, it will have provisions that reference the CAISO tariff and the ROWE-CAISO agreement. The basic elements of ROWE-CAISO agreement, as well as potential changes to the CAISO tariff, are also currently being considered by the Working Group. Those materials will also need to be further developed and ultimately negotiated by the CAISO and ROWE and their respective Boards. As this work progresses, the ROWE Board will have full discretion to determine 1) whether to move forward with a Governance Tariff; 2) how to solicit stakeholder feedback on this decision and the Governance Tariff; and 3) what to include in any Governance Tariff.

SECTION 1 PURPOSE

The purpose of this Governance and Functions Tariff is to set forth, among other things, the oversight responsibilities, governance structure, and certain budget and funding mechanisms for the Regional Organization for Western Energy in its exercise of sole authority over Market Operation Rules for the Western Energy Markets and its exercise of joint authority with the California Independent System Operator over Market Administration Rules, and could apply in whole or in part to any additional voluntary services the ROWE may offer in the future. This Tariff, the Coordination Agreement, and the Integrated Tariff, together, establish the current regulatory structure for the Western Energy Markets. These documents work in concert and shall evolve consistently to ensure the independent governance and reliable operation of the Western Energy Markets.

SECTION 2 DEFINITIONS

2.1 Capitalized terms used in this Tariff shall have the meanings set out below unless otherwise stated or the context otherwise requires.

Balancing Authority: the responsible entity that integrates resource plans ahead of time, maintains load-interchange generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

Balancing Authority Area or BAA: the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

Board of Directors or Board: the Board of Directors of the ROWE.

Body of State Regulators or BOSR: the group of state regulators, consisting of representatives from each Participating State, which will participate in the ROWE's processes for policymaking and Tariff modifications.

Business Practices Manuals: the instructions, rules, policies, procedures and guidelines for implementation of this Tariff and Market Operation Rules.

Bylaws: the Bylaws of the Regional Organization for Western Energy, Inc.

California Independent System Operator or CAISO: a state-chartered, California non-profit public benefit corporation that operates the transmission facilities of all Participating TOs and dispatches certain Generating Units and Loads

CAISO Controlled Grid: the system of transmission lines and associated facilities of the CAISO participating transmission owners that have been placed under the CAISO's operational control.

CAISO System Rules: the provisions in the Integrated Tariff that are not Market Operation Rules or Market Administration Rules. The CAISO Board of Governors maintains sole authority over CAISO System Rules.

Coordination Agreement: The agreement between the CAISO and the ROWE that defines each party's rights and obligations in the governance and operation of the Western Energy Markets and any additional voluntary services offered by the ROWE.

Department of Market Monitoring or DMM: the organization established to provide independent oversight and analysis of the day-ahead and real-time markets for the protection of consumers and market participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.

Federal Energy Regulatory Commission or FERC: the independent federal agency established in the Department of Energy Organization Act (or any successor entity) that regulates the interstate transmission of natural gas, oil and electricity and sales of electricity at wholesale. FERC is the regulatory agency that will oversee and approve the Tariff.

Integrated Tariff: the tariff administered by the CAISO comprising the Market Operation Rules, Market Administration Rules, and CAISO System Rules.

Joint Authority: authority shared jointly by the ROWE and the CAISO over Market Administration Rules subject to the procedures defined in the Coordination Agreement.

Market Administration Rules: the rules, procedures, requirements and obligations embodied in the Integrated Tariff relating to settlements, billing, metering. creditworthiness, collateral, participant agreements, compliance, dispute resolution and other administrative and commercial aspects of the Western Energy Markets and any changes to such rules. The ROWE and CAISO maintain Joint Authority over Market Administration Rules.

Market Initiative: a proposal to change or establish a Market Operation Rule or Market Administration Rule. Market Initiatives exclude any proposals to change or establish CAISO System Rules.

Market Operator: the entity administering the Western Energy Markets. CAISO is the Market Operator.

Market Operation Rules: the rules, procedures, requirements and obligations embodied in the Integrated Tariff relating to the operation of the Western Energy Imbalance Market or Western Energy Day Ahead Market, including provisions that govern bidding and scheduling for these markets, the market optimization itself and all inputs and processes related to the market optimization, and all rules that reflect the calculation of the amounts that market participants are credited or charged for electricity transactions within these markets. The ROWE maintains sole authority over Market Operation Rules.

Market Surveillance Committee or MSC: [placeholder from the CAISO Tariff: “There shall be established a Market Surveillance Committee (MSC) as a market advisor, whose role it shall be to provide independent external expertise on the CAISO market monitoring process and, in particular, provide independent expert advice and recommendations to the CAISO CEO and Governing Board.”]

Nominating Committee: the committee that is created and operates pursuant to the Bylaws and Selection Policy, which is not a committee of the Board, to nominate candidates to serve on the Board.

Open Meetings and Records Policies: the policies adopted by the Board of Directors from time to time, consistent with FERC requirements and the Bylaws, to govern notice and public access to meetings and availability and management of public and confidential and privileged materials and records to comply with applicable statutes, rules, and board policies.

Participating State: any state with one or more balancing authorities participating in the Western Energy Markets.

Public Policy Committee: A committee of the Board specified in the Bylaws consisting of members of the Board of Directors, which shall engage with Participating States and their designated representatives, local power authorities, federal power marketing administrations, the Consumer Advocate Organization, and other stakeholders about potential impacts of policy initiatives and Tariff revisions on state, local, or federal policies and advise the Board of Directors of these impacts before the Corporation approves Tariff changes for filing at the FERC.

Regional Organization for Western Energy or ROWE: the Regional Organization for Western Energy, Inc., a nonstock, non-profit organization incorporated under the laws of the State of Delaware.

Selection Policy: the process adopted by the Board of Directors pursuant to the Bylaws for selection and presentation of a slate of nominees to serve as members of the Board of Directors from time to time.

Sole Authority: Authority held by the ROWE to undertake actions exclusively without the consent of any other body, subject to applicable statutes, tariffs, rules, regulations, and agreements, subject to FERC oversight.

Stakeholder Representatives Committee or SRC: the body of stakeholders, as constituted pursuant to the Bylaws, regularly convened to help coordinate the stakeholder process and advise the Board of Directors on Market Initiatives.

Tariff: this Governance and Functions Tariff of the ROWE, including all schedules and attachments, as amended from time to time.

Western Energy Markets Entity: a Balancing Authority that participates in the WEIM, WEDAM, or both.

Western Energy Day-Ahead Market or WEDAM: the day-ahead energy market governed by the ROWE.

Western Energy Imbalance Market or WEIM: the energy market and method for resolving imbalance of supply and demand in real time governed by the ROWE.

Western Energy Markets: the Western Energy Day-Ahead Market and the Western Energy Imbalance Market, and successor or additional energy markets that may be authorized by the FERC and governed by the ROWE.

2.2 Interpretation

2.2.1 In this Tariff, “includes” or “including” shall mean “including without limitation” and “excludes” or “excluding” shall mean “excluding without limitation.”

2.2.2. Specific Rules of Interpretation Subject to Context

(a) The singular shall include the plural and vice versa.

(b) References to a Section or Appendix shall mean a section or appendix of this Tariff.

(c) References to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time.

(d) Any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case, whether or not having separate legal personality.

(e) Any reference to a day, month, week or year is to a calendar day, month, week or year unless otherwise stated.

(f) A reference to this Tariff or to a given agreement, or instrument shall be a reference to this Tariff or to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;

(g) Time references are references to prevailing [zone] time;

(h) The captions and headings in this Tariff are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the provisions of this Tariff

SECTION 3. AUTHORITY AND LIMITATIONS

3.1 Authority

3.1.1 The ROWE has Sole Authority to provide independent regional governance over the Market Operation Rules for the Western Energy Markets, including exclusive authority to direct Federal Power Act Section 205 filings for changes to Market Operation Rules, consistent with this Tariff, the Coordination Agreement, the Integrated Tariff and other applicable statutes, tariffs, rules, regulations, and agreements. The ROWE has ultimate authority to resolve disputes about any Business Practices Manual that implements Market Operation Rules.

3.1.2 The ROWE has Joint Authority with the CAISO to govern the Market Administration Rules, including joint authority to direct Federal Power Act Section 205 filings for changes to such rules and to modify related Business Practice Manual provisions required to implement such rules, consistent with this Tariff and other applicable statutes, tariffs, rules, regulations, and agreements. The CAISO and ROWE have Joint Authority to resolve disputes about any Business Practices Manual that implements Market Administration Rules.

3.1.3 The ROWE may offer additional voluntary services to interested market participants within its sole authority.

3.3 Western Energy Markets Entity Withdrawal

Any participant may unilaterally withdraw from the Western Energy Markets on its own accord, or as required by an applicable regulatory authority or state statute, with reasonable prior notice and without any penalties, unreasonable costs, or further discretionary approvals, pursuant to the process set forth in the Integrated Tariff.

4. Organizational Structure

4.1 Board of Directors

4.1.1 Purpose and Scope of Activities

4.1.1.1 The Board provides ultimate oversight of the Western Energy Markets, subject to FERC's regulatory authority.

4.1.1.2 The Board shall consistently acknowledge and, where practicable, approve tariff changes, rules, or business practices that respect and do not unduly burden Participating States' achievement of state or local policy objectives, including procurement, resource adequacy, environment, reliability, and other consumer interests. The Board shall minimize adverse impacts of revisions to its Tariffs, rules, and business practices on Participating States' policy objectives.

4.1.1.3 Joint Authority with the CAISO
The Board of Directors shall act in concert with the California ISO Board of Governors in matters pursuant to the two bodies' joint authority as specified in the Coordination Agreement. These joint activities include Market Administration Rules, oversight of the Department of Market Monitoring and the Market Surveillance Committee and administration of Integrated Tariff provisions applicable to both Western Energy Markets and California Balancing Authority Area requirements.

4.1.2 Board Constitution

The ROWE Board of Directors shall be constituted and selected pursuant to the Bylaws and the policies adopted thereunder, including the Selection Policy. The Board shall be composed according to the Bylaws, including the qualification and independence provisions therein, and Board Members are subject to the Bylaws' Standards of Conduct and conflict of interest rules. Consistent with FERC's Order No. 2000, the Board shall be independent of any financial interests in of market participants, or affiliates thereof, in the Western Energy Markets.

4.1.3 Meetings

The Board of Directors shall hold regular and special meetings, including executive sessions, in accordance with the Bylaws, the Open Meetings Policy, and any other policies or procedures adopted by the Board. Notice of Board meetings shall be provided pursuant to the requirements of the Bylaws. Board meetings shall be transparent and allow for public comment, pursuant to the Bylaws and Open Meetings and Records Policies. The Board shall conduct votes according to the requirements of the Bylaws.

4.2 Nominating Committee

The Bylaws establish a standing Nominating Committee comprised of stakeholder representatives to select Board members, subject to approval by the Board. The actions of the Nominating Committee, including determination of search criteria, shall be in accordance with the Bylaws, Board Selection Policy, and any other policies or procedures subsequently adopted. The Nominating Committee shall not be deemed a committee of the Board of Directors but rather shall be advisory in nature.

4.3 Public Policy Committee

4.2.1 Purpose and Role. The Board shall appoint a Public Policy Committee to conduct outreach at key points in the stakeholder process to states, local power authorities, tribes, and federal power marketing administrations to collect input about the potential for any Market Initiative to have adverse impacts on a state, local, or federal policy. The input collected by the Public Policy Committee shall be presented to the full Board before it votes on Market Initiatives.

4.2.2 Composition. The Public Policy Committee shall consist of two or more Board Members elected by the Board.

4.4 Market Expert [Not reviewed by the Market Oversight WG]

4.3.1 Purpose and Role. The Board shall retain an independent market expert ("Market Expert") to provide comprehensive explanations and technical opinions as requested by the Board to aid it in making well-informed decisions.

4.3.2 Functions. As requested by the Board, the Market Expert shall produce reports and opinions and evaluate the fairness and efficacy of proposed market rule changes, business practices, market operations and price formation. The Market Expert shall support Board understanding of complex market topics and provide information on best practices from other markets. Additionally, the market expert shall provide independent market analysis on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers and routine market-related analysis and reports as specified by the Board.

4.5 Body of State Regulators (BOSR)

4.5.1 Purpose and Role. The BOSR is an independently established and governed body of state regulators, consisting of representatives from each Participating State, which will provide advice to the Board on any changes to the Market Operation Rules, Market Administration Rules, or the Tariff or any other issue arising from the Western Energy Markets. The BOSR will also serve as a voting member of the Nominating Committee.

4.5.2 Funding. The ROWE shall establish funding for the BOSR to participate in the nomination of the Board and develop and maintain a process for the Board to receive and respond to information or recommendations by the BOSR representation in a public process. The approved BOSR budget costs shall be allocated to market participants in accordance with the Coordination Agreement, the Integrated Tariff, or this Tariff, as applicable.

4.6 Consumer Advocate Organization (CAO)

4.6.1 Purpose and Role. The Board shall support the creation of and make funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized by state law in any Participating State and facilitate the engagement by the consumer advocate organization with the Corporation in the stakeholder engagement process developed for policy decisions to be made by the Board.

4.6.2 Funding. The approved CAO budget costs shall be allocated to market participants in accordance with the Coordination Agreement, the Integrated Tariff, or this Tariff, as applicable.

4.7 Office of Public Participation (OPP)

4.7.1 Purpose and Role. The Board shall establish an OPP to provide information and education to members of the public about issues and initiatives at the ROWE, including facilitating engagement in those processes. The OPP shall also provide the ROWE Board and staff with direct feedback regarding the effectiveness of public participation.

4.7.2 Functions. The OPP shall, among other things:

(a) Produce neutral explanations of policy proposals and roadmaps for public engagement on specific issues;

(b) Proactively engage with members of the public across the region by hosting in-person meetings, publishing documents, and producing other content through a variety of media to explain issues being considered at the ROWE;

(c) Engage in external communications related to neutral education without advocacy;

(d) Periodically review the ROWE stakeholder and decision-making processes to ensure effective and inclusive public participation; and

(e) Report to the Board periodically on the results of the review of stakeholder processes and suggest improvements based on these reviews.

4.7.3 Funding. The ROWE shall facilitate the retention of independent staffing for the OPP to support the OPP's responsibilities. The OPP shall annually submit a proposed budget to the ROWE Board for approval.

5 STAKEHOLDER PARTICIPATION [Not reviewed by Stakeholder WG]

5.1 General

Market Initiatives shall be developed through a stakeholder engagement process that aims to elevate participation, enhance transparency, and foster collaboration. The following essential principles shall be used to frame the stakeholder process:

(a) Openness – participation open to all persons;
(b) Transparency – transparent to the public;
(c) Consensus building – build and document consensus;
(d) Fair balance of interests – not dominated by a small number of sectors, and respect for minority positions;
(e) Due process – reasonable notice and opportunity to participate and to have views considered; and
(f) Timeliness – getting things done, not bogged down in stalemates.

5.2 Stakeholder Process

5.2.1 Market Initiative Development. The stakeholder process shall generally consist of two elements: (1) Issue Identification & Prioritization: Catalog and Roadmap Development and (2) Stakeholder Initiative Phase. As set forth in stakeholder process guidance documents, advisory, indicative stakeholder voting shall be conducted to gather stakeholder sentiments for consideration in the Market Initiative development process and by the Board. At a minimum, indicative voting shall be conducted [insert key voting points].

5.2.2 Board Approval. The Board shall vote on the Catalog, Roadmap, and Final Proposals developed in the Stakeholder Initiative phase.

5.2.3 Remands. [placeholder]

5.2.4 Exigent Circumstances. In the case of exigent circumstances where a solution is time-critical, the ROWE may use an abbreviated stakeholder process or, if necessary proceed on a temporary basis without a stakeholder process, as outlined in stakeholder process guidance documents.

5.3 Stakeholder Representative Committee (SRC)

5.2.1 Purpose and Role. The ROWE shall establish a Stakeholder Representatives Committee to facilitate development of, and advise the Board regarding, Market Initiatives.

5.2.2 Composition. The SRC shall be composed of representatives of various stakeholder sectors designated by the Board of Directors. Members of the SRC will be determined within and by the various stakeholder sectors. SRC's initial sectors and seats shall consist of:

- WEDAM participating Balancing Authorities (2 seats),
- WEIM participating Balancing Authorities Entities (3 seats),
- CAISO participating transmission owners (2 seats),
- Non-investor owned load serving entities serving load from WEIM or WEDAM (4 seats),
- Public interest organizations (2 seats),
- Consumer advocates (2 seats),
- Large commercial and industrial customers (2 seats),
- Independent power producers, independent transmission developers, and marketers (3 seats),
- Distributed energy resources (1 seat);
- One (1) additional seat shall be reserved for PMAs in either the WEIM or WEDAM sector, assuming the PMA is Western Energy Markets Entity.

5.4 Other Load Serving Entity Representation

The ROWE shall create a category (not an SRC sector) for other load-serving entities that do not participate in the Western Energy Markets. This category shall enable entities that serve load in the Western Interconnection but do not participate in the WEIM or WEDAM, nor fit within one of the designated SRC sectors, to register with the

ROWE to participate in certain indicative votes. This group may participate in the stakeholder process and submit comments that will be included in the package of information provided to the Board when appropriate but is not a sector and therefore does not have direct representation in the Issue Identification & Prioritization phase or Stakeholder Initiative Phase, or be counted in the remand processes.

6 BUDGET AND FUNDING

6.1 Annual ROWE Budget Process [Finance WG needs to complete work with CAISO to populate]

[placeholder]

6.2 Funding Mechanism

The ROWE shall be funded through a FERC-approved tariff-based mechanism specified in the Coordination Agreement under which the CAISO collects funding from market participants and remits the funding to the ROWE.