



January 12, 2024

## **Comments of Enel North America on West-Wide Governance Pathways Initiative's On the Initial Evaluation Framework**

Enel North America (Enel) is a diverse and integrated energy company that has been operating in North America for over 20 years. Enel's portfolio of services includes renewable energy development, utility-scale battery energy storage development, distributed energy resource deployment and integration, including demand response and electric vehicle charging infrastructure and services. Enel has primarily deployed its assets in organized markets. Therefore, organized markets are essential to the efficient development, operation, dispatch and remuneration of resources because of the transparency of the market clearing process.

As such, Enel is supportive of the development of an organized wholesale market in the West, with the broadest possible footprint, to enable participation. Enel supports the work of the West-Wide Governance Pathways Initiative ("WWGPI" or "Pathway Initiative"). Enel is grateful for the efforts of the Launch Committee to bring forward these proposals for consideration and comment. While, ultimately, Enel is supportive of the development of a Western Regional Transmission Organization (RTO), and hopes that the efforts of the Pathway Initiative can build trust and collaboration to allow for future growth upon these efforts in order for an RTO to form, Enel also understands that the Pathway Initiative does not propose an RTO structure. Several comments herein will indicate where certain elements of this proposal may need to be modified should the Pathway Initiative continue its work toward a future Western RTO.

### **High-Level Evaluation Criteria:**

On page 2, there is a list of high-level criteria that the Launch Committee is recommending as guideposts for decision making through this process. Enel provides some comments or requests for clarification as it relates to these criteria, as described below.

1. Maximized net benefits, including reliability, affordability, and environmental benefits, recognizing startup and ongoing costs, and considering both new benefits and impacts on existing benefits. **Enel assumes this statement means a system-wide maximized net benefit, and not necessarily a net-benefit to any particular participant.**
2. Equitable representation across the Western region and among all market participants, including for a wide range of legal entities. **Enel submits that equitable representation should apply to market participants and technologies. In other words, that the market will accommodate new technological entry and will offer products and services that can be provided by eligible resource to meet grid needs on a "technology neutral" basis.**
3. 3. A governance structure independent of any single state, participant, or class of participants.



4. Organizational flexibility to accommodate future expansion of regional solutions and to create a credible and timely path to a voluntary regional transmission organization (RTO), including the balancing authority (BA) and transmission planning functions.
5. Optionality to allow market participants to choose the market services they value.
6. Preservation of existing balancing authorities' ability to maintain independence, authority, and governance. *It is unclear how item #6 and #4 coexist in an RTO environment.*
7. An implementation timeline that promotes broad market participation.
8. *Goal of having the broadest possible footprint in the West.*

## Structural Proposals

Enel is very appreciative of the work of the Launch Committee to propose 5 clearly articulated options to consider for how the newly created market may function vis-a-vis the California Independent System Operator (CAISO) in terms of decision-making and governance, with Option 0, the least changed from the status quo, to Option 4, a wholly-separate, newly-formed market operator.

It is critical that the first step that is proposed through this process give market participants confidence that the market operator has independent governance and is not subject to California's political influence while allowing for some transitional operational simplification in establishing a regional market by leveraging the assets and knowledge provided by the CAISO. In addition, a transition, of some defined timeframe, will also give parties experience with the new structure, the ability to demonstrate the benefits of the new structure to participants and, hopefully, allow California politicians to see that CA will benefit by participating in a regional market, more so than continuing to operate a single-state ISO.

Therefore, the initial step must be meaningful in meeting the need to independent governance, it must be achievable in relatively short period of time by minimizing unnecessary complexity, and it must minimize political backlash.

Enel recommends a two-step implementation process: Option 3 would be an interim model to allow the new market operator to get established and operational quickly, utilizing CAISO Tariffs, as desired, and with access to CAISO personnel through a monthly payments; but, with the ultimate goal, to move to Option 4 as the ultimate end-state within some defined period of time (5 years, for example).

## Why Does Enel Support this Transitional Approach?

Enel thinks that Option 4 is the desired end-state. Having a wholly separate organization from the CAISO for voting, 205 filing rights, governance and decision-making is the best way to build credibility among non-CA market participants, to avoid concerns about CA political interference. However, Option 3, which leverages existing tariffs, personnel, expertise and software/hardware, under a contract for services model, would permit the new market entity to establish itself and achieve operation more quickly.

In addition, demonstrating operational capabilities and benefits under Option 3 will create confidence in moving toward Option 4, spinning off the market operator function from CAISO completely, leaving CAISO to continue to perform its balancing area authority role. Moving first to Option 4 structure,



without building the proper support within CA, could result in political backlash, working to block this structure immediately, without reviewing its impact on Californian's from a cost and benefit perspective. Also, moving to Option 4 requires an understanding of how that option affects employment within the CAISO. Perhaps another guiding principle needs to be minimizing displacement at CAISO during the transition.

Option 0, however, while it gives primary voting rights the Western Energy Imbalance Market (WEIM), the primacy that CAISO has on filing rights and other decision-making, could make Option 0 too unchanged from the status quo. Insufficient movement will maintain concerns among western entities about being subject to the political decisions of California.

Option 3, where the new legal entity has its own tariff for market services, structured after the CAISO's tariff, with a contract for services with CAISO to administer the market is a good solid structure that could be achievable and provide significant and relevant separation of governance and roles from the CAISO. However, Enel still suggests that Option 4 should be the ultimate end state and would be the best structure under which to form an RTO.

**Legal Questions:**

Enel agrees that all of the legal questions are appropriated to be answered.

1. In addition to those, it may be appropriate to ask what "losses" the State of California would experience, through taxes or other forms of income, as a result of a separate ownership structure established outside of California.
2. In addition, since the ratepayers of California have paid to create and establish the CAISO, is there some payment to the state that may be required in order to take that asset to another state for a broader purpose? I am concerned about the possibility of a transfer payment to the State of California, recognizing that the product was developed and paid for by California customers. This may go into establishing the value of the market operator function, separate from the BAA function that will continue, for the spin-off.

Thank you for your consideration of these comments.

Respectfully,

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