



West-Wide Governance Pathways Initiative

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:

Tucson Electric Power (TEP) appreciates the opportunity to provide comments to the Pathways Initiative regarding CAISO Issues and Tariff Analysis and provides the following responses below.

CAISO Issues

The structure of the Regional Organization (RO) should be focused on a policy-setting board to concentrate efforts on independent governance, regulatory oversight that would allow for a clear separation of duties between policy-making and operational responsibilities. In this manner, TEP could support Option 2. However, TEP encourages the group to pursue Option 2.5 whereby aligning vendor management for market services, the RO can ensure an integrated approach between policy and service delivery. TEP supports this option which enhances accountability as the RO is directly responsible for vendor management for market services that may lead to a more efficient operations for both setting policies and delivering services.

Tariff Analysis

TEP supports the proposed division of authority between the California Independent System Operator (CAISO) and the Regional Organization (RO). According to the proposed structure, CAISO would retain sole authority over its Balancing Authority functions. Conversely, the RO would be entrusted with sole authority over tariff provisions related to policy and operations. This delineation aligns with the distinct roles and responsibilities of each entity, allowing CAISO to focus on technical and operational aspects, while the RO handles strategic policy and regulatory matters.

However, TEP suggests implementing an independent review process for any proposed tariff changes. This review would serve as a safeguard to ensure that changes do not adversely impact market participants. By involving an impartial third party in evaluating tariff adjustments, stakeholders can be assured that modifications are assessed for fairness and potential repercussions before they are enacted. This additional layer of scrutiny would help maintain confidence in the market's integrity and operational transparency.

Furthermore, TEP advocates for a market design that is both fair and equitable, supported by robust checks and balances. Such a design is essential for ensuring that the RO's role in governance and its influence on policy and tariff matters are aligned effectively. It is crucial to have mechanisms in place to monitor and address any potential misalignments between policy decisions and their practical impacts on the market.

Regarding the management of overlapping authority between CAISO and the RO, TEP emphasizes the need for clear and transparent definitions of processes and responsibilities. Establishing well-defined procedures for addressing areas of overlap will be critical in avoiding ambiguity and ensuring that both entities can collaborate effectively. Transparent processes will help mitigate potential conflicts and ensure that decisions are made with clarity and accountability, thus enhancing overall operational efficiency and stakeholder confidence.

General feedback:

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.

