



**WEST-WIDE GOVERNANCE PATHWAY INITIATIVE**  
**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S**  
**COMMENTS ON THE CAISO ISSUES AND TARIFF**  
**ANALYSIS WORKSHOP**

August 19, 2024

The California Community Choice Association<sup>1</sup> (CalCCA) appreciates the opportunity to provide input on the West-Wide Governance Pathways Initiative's (Pathways Initiative) CAISO Issues and Tariff Analysis Workshop (Workshop). CalCCA strongly supports the direction of the Pathways Initiative and appreciates the efforts of the Launch Committee to develop Step 2 Option 2 and Option 2.5. As the Launch Committee and Workshop participants continue to work through key CAISO issues, CalCCA encourages the continuation of a stepwise approach by beginning with Option 2 and transitioning to Option 2.5 over time. CalCCA also supports the classification of tariff sections as shared authority, RO authority, or California Independent System Operator Corporation (CAISO) authority and reorganizing the tariff to better delineate sections by which entity has authority over them.

**CAISO Issues**

- 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)?***

A stepwise approach was successful in moving the Pathways Initiative forward with Step 1 while providing stakeholders more time to develop more structural changes in Step 2. CalCCA encourages the continuation of a stepwise approach by beginning with Option 2 and transitioning to Option 2.5 over time. This approach will allow the Pathways Initiative to continue to make progress on regional coordination through the implementation of an RO, with the opportunity to pursue greater levels of RO independence with Option 2.5 once costs of Option 2.5 are estimated, market-related contracts are reworked, sufficient contingency reserves are established, and other open issues are resolved.

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<sup>1</sup> California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance of Southern California, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

**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 described in response to Question 1, the RO's contract with the CAISO should begin as a governance-focused interface agreement, and then transition to a contract for services from a market vendor once the costs and responsibilities of doing so are better understood and prepared for.

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

Given the ongoing and critical concern around ratepayer costs, particularly in California, implementation costs are an important consideration in evaluating Option 2 versus Option 2.5. Option 2.5 will inevitably cost more than Option 2.0. However, the magnitude of those costs is still unknown. The Pathways Initiative should begin with Option 2.0 with a plan to transition to Option 2.5 over time. This would provide more time for the Launch Committee and stakeholders to confirm that the benefits of shifting to Option 2.5 are worth the costs of doing so.

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

As described in response to Question 3, the value of incremental institutional independence gained in Option 2.5 relative to Option 2 is dependent on the additional costs of Option 2.5. A better understanding of the costs of Option 2 versus Option 2.5 is needed before determining the value of incremental independence.

**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?***

With ultimate oversight responsibility, including policy decision-making, vendor management responsibilities, compliance responsibilities, and consequences for failure, the RO would bear a higher level of institutional responsibility under Option 2.5 than Option 2.0. Transitioning to Option 2 first, then to Option 2.5, will allow time to ensure the RO and stakeholders are ready to take on that increased level of responsibility.

**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?***

CalCCA agrees with the Launch Committee that the RO would bear a higher level of financial liability under Option 2.5 and that it would take more time for the RO to be able to take on that level of liability through the building of contingency reserves, for example. Advancing Option 2.0 would allow the Pathways Initiative to continue to make progress while taking the steps necessary to enable the RO to take on this level of liability.

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

While CalCCA supports starting with Option 2.0 for the initial implementation of Step 2, the Launch Committee and stakeholders should stay committed to evolving beyond Option 2.0. Given the increased level of independence and responsibility the RO would have under Option 2.5, Option 2.5 provides a more durable path forward for future services beyond energy markets.

**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?***

Yes, for the reasons described above, there is value in beginning with Option 2 and then transitioning to Option 2.5. CalCCA recommends that the Launch Committee take this stepwise approach.

**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.***

CalCCA agrees with the suggested areas where the CAISO and the RO would each have sole authority and areas where they would have shared authority. The proposed tariff divisions meet the objective of properly aligning responsibilities, duties, oversight, and accountability. As described in response to Question 13, CalCCA recommends the CAISO consider reorganizing the tariff to minimize sections with overlapping authorities.

**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.***

CalCCA agrees with the suggested principles proposed to determine RO sole authority. The RO should have sole authority over tariff provisions foundational to the operation of market services, or other offered services the RO might provide in the future. It should not maintain sole authority, however, in areas affecting balancing area authorities' (BAAs) in their role as BAAs.

**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.***

CalCCA agrees with the suggested principles proposed to determine CAISO sole authority. The CAISO should have sole authority over tariff provisions that give the CAISO

authority to fulfill its duties as a balancing authority area that are separate from the RO's functions.

***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.***

CalCCA agrees with the suggested principles for determining overlapping authority. As described in response to Question 13, the tariff should be reorganized to limit or separate areas of overlapping authority.

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

Fourteen of the 44 tariff sections have “overlapping authority,” which requires calling out authority at the subsection level because parts of the section would be subject to RO's sole authority, and other parts of the section would be subject to CAISO's sole authority. The Launch Committee presented five options for addressing overlapping authority including (1) establishing a category for Joint Authority, (2) porting over those sections to RO authority, (3) creating an “intent” test, (4) reorganizing the tariff to simplify separation of functions, and (5) revisiting the question of overlapping authority in the future.

CalCCA recommends the Launch Committee pursue the fourth approach: reorganizing the tariff to simplify the separation of functions. This would provide each organization with the full authority necessary to fulfill its corporate and functional duties while mitigating the need to test each subsection for intent and preventing the perception of diminished independence. This approach will ensure the scope of each organization's authority is clear at the start of Step 2 and aid in the classification of authority for proposed tariff changes in the future.

**General Feedback**

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

CalCCA looks forward to the opportunity to continue working with and supporting policymakers and other stakeholders to advance increased regional coordination across the West.