



Public Generating Pool
West-Wide Governance Pathways Initiative
Regional Organization Formation & Governance Working Group
PGP Comments
August 8, 2024

Introduction

The Public Generating Pool (PGP) appreciates the opportunity to provide comment on the proposed Regional Organization Formation and Governance working group of the West-Wide Governance Pathways Initiative. PGP is composed of nine publicly-owned electric utilities, eight in Washington and one in Oregon, that work together on issues of common interest.

Regional Organization Formation Questions

1. Type of Organization: do you support the proposed 501(c)(3) organization of the RO? If there is another organization that you feel would be a stronger fit for the RO, please tell us which organization you prefer and the basis for your opinion.

No comment.

2. State of Incorporation: Do you support proposed incorporation of the RO in Delaware? If you think there is another state that you feel would be a more compelling option, please tell us which state and the basis for your opinion.

PGP supports the proposal to incorporate the RO in Delaware based on the reasoning explained at the July 25, 2024 workshop, that Delaware has well-developed corporate organization policies that enable entities to retain flexibility in their structures based on individual organizational needs.

3. Principal Place of Business: Do you support co-locating the RO in Folsom with the CAISO as the principal place of business? If there is a different location that you feel would be a stronger fit, please tell us which location and the basis for your opinion.

PGP strongly encourages the working group and Launch Committee to more thoroughly consider and develop alternatives to locating the RO in Folsom with the CAISO as a principal place of business. PGP believes that this issue is more than one of optics or perception of bias but will, to an extent, determine the talent pool from which the RO is able to hire new employees and drive more “business as usual” outcomes versus the cultural change and orientation shift that is needed to create meaningful separation between CAISO staff and RO decision-making and direction. Creating meaningful separation between CAISO staff as a vendor of services and the RO staff as managing a contract for services is critical to enhance trust in the policy development process and in the independence of the RO governance. While there is also value in supporting collaboration and strong relationships between the CAISO and RO staffs, PGP believes that the initial steps should be to establish clear roles and responsibilities for the respective organizations to establish their separate roles.

PGP does not believe that this requires, at least initially, physically moving CAISO staff who are performing duties under contract for the RO from CAISO staff who are performing duties for CAISO’s balancing authority function. PGP recognizes that moving existing employees and re-creating operational systems in new locations is likely to be costly and disruptive, particularly as an initial step. However, it is unclear why the RO staff itself, made up of a small team whose primary function (at least initially) is to manage a contract for services with the CAISO, cannot effectively be located somewhere other than Folsom. To the extent the initial RO staff are not performing operational functions nor directly overseeing operational performance, it is unclear why those individuals would need to be located in Folsom.

To the extent the issue is one of cost associated with office space, the working group could consider co-locating the RO with other regional organizations within the West, such as the Western Electricity Coordinating Council in Salt Lake City or the Western Power Pool in Portland. There also may be options that should be more fully considered for establishing a primary place of business somewhere else in the West while retaining a secondary place of business in Folsom.

PGP strongly encourages the working group and Launch Committee to more fully develop a set of options for the primary place of business for the RO. As an alternative, the working group could also consider whether the decision should be deferred to the RO Board and RO Executive Director/CEO, once seated and hired.

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

None at this time.

Regional Organization Governance Questions

1. The working proposal recommends there should be a collaborative relationship between the existing CAISO Board and the new RO Board. Where there are issues of joint authority for the two boards to consider, there should be joint meetings. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.

PGP agrees that joint meetings make sense where joint authority exists and that generally a collaborative relationship between the existing CAISO Board and the new RO Board will be important to foster through joint meetings.

2. The working proposal recommends the RO Board should consist of seven members that meet the knowledge and skills requirements outlined in the RO Board selection procedure. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.

No comment at this time.

3. The working proposal recommends seats on the RO Board should not be reserved per se. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.

PGP agrees with the working group proposal and rationale for not reserving seats on the RO Board.

4. The working proposal recommends the details of the Transition Plan from the WEM GB to the new RO Board should be left to the Formation Committee. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.

PGP agrees with the recommendation.

5. The working proposal recommends that, based upon discussions to date, the Launch Committee has taken the position in the Phase 2 work plan that we will not launch the RO before the legislation is signed and the amended tariff is filed at FERC. There are formation efforts (e.g. type of corporation, tariff language development, bylaws development, board 1 selection process) that should be pursued by the Formation Committee in conjunction with the CAISO in advance of these milestones, but mindful of the legislative process. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.

Yes, PGP strongly agrees that it would not be prudent to formally establish the RO prior to legislation being signed in California and an amended tariff is filed (and approved) at FERC. Whether or not legislation passes in California will fundamentally change the natural and value proposition associated with the RO. And whether legislation will be successfully passed is extremely difficult to predict in advance. It therefore does not seem reasonable to establish the RO prior to legislation passing or failing.

6. The working proposal recommends that startup funding for the RO will likely be required before any market supported funding is available. Due consideration should be given to identifying funding that would not be considered as compromising Board independence. Such sources might include DOE grant funding or ongoing support from the Pathways Initiative 501.c.3 funding via Global Impact. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.

No comment at this time.

7. The Work Group is developing a draft RO Board selection procedure that started with the current WEM GB selection process. Specific issues for stakeholder input include: • Number and definition of nominating committee sectors • Board knowledge and skills requirements • Use of Formation Committee as approval body for initial board selection • Restriction on number of current WEM GB members that can transition to the new RO Board Please share your thinking on the proposal and any alternative proposals for how these issues can better be addressed. 8. Do you have any additional feedback you would like to share with the Launch Committee on these topics?

PGP is interested in better understanding the rationale for limiting the number of WEM GB members that can transition to the new RO Board and whether there are other ways to solve whatever issue this limitation is designed to address. If there are WEM GB members whose terms are naturally expiring, it may make sense to transition to new individuals, but fully replacing two GB members is potentially unnecessary if other measures are put in place to ensure and encourage a cultural shift to fully independent governance. PGP is mindful of the fact that highly qualified and interested individuals can be challenging to recruit and the learning curve for Western regional markets is often steep. For these reasons, this issue may need some additional discussion to establish the recommended approach.