



West-Wide Governance Pathways Initiative
Stakeholder Comment Template: Stakeholder Process



PGP appreciates the work of the Pathways Initiative and the Stakeholder Process Working Group including the neutral and informative facilitation and background provided by Gridworks to support this important effort. We have found the Stakeholder Engagement Brief to be a comprehensive survey of the approaches used across various RTOs and an important resource for introducing new ideas and outlining common challenges across models that may be difficult to address fully. PGP also recognizes that there is a change-management aspect of this effort that needs to take into consideration current practice. We see part of the intent as identifying and maintaining aspects of the current CAISO process that are working well and have broad stakeholder support and/or room for improvement rather than replacement, while injecting new ideas and practices based on learnings in other forums in a thoughtful way. We look forward to continuing to engage in this topic and contribute ideas based on our experience participating in stakeholder processes on behalf of our members, and may frame some responses below as process improvements for existing CAISO processes. Ultimately, we see the market objective as providing reliable and least-cost service to the customers we serve while meeting our evolving regulatory obligations. A successful organized market and related stakeholder process will help our utilities navigate the challenges of the changing operating environment while continuing to meet these obligations.

Workshop 3 started with a discussion of the revised goal and objectives of this stakeholder process path. PGP suggests that there is an important element missing from the stated goal which is to establish confidence among the stakeholder community in the process and its ability to produce balanced outcomes. The goal should not simply be to provide meaningful opportunities for stakeholders to inform the consideration of proposed market rules. The goal should be more broadly to establish a way for stakeholders to participate in decision-making in a meaningful way. The goal and current objectives all seem to presume a state-agency style administrative process, where the Regional Organization solicits input and feedback and then renders its decision. PGP believes that the stakeholder process working group should more broadly consider ways that stakeholders may actually participate in the issue development and decision-making process through establishing working groups and considering indicative and informative voting models that can operate to increase confidence in that decision-making and market outcomes are balanced. PGP believes adding more participatory elements will enhance the process for all stakeholders, enable the recognition of and addressing of minority views, and work to drive compromise and recognition of competing interests.

While we generally support the objectives listed, we recommend that they be augmented with this framing.

We also recommend inclusion of an additional objective not captured in the current list:

1. **Compromise:** A stakeholder model should encourage compromise among stakeholders to create buy-in and ensure confidence across the diverse stakeholder community that rules and outcomes are equitable and balanced.

We see “compromise” as unique from “collaborative” because it explicitly requires stakeholders buying-in to tradeoffs that need to be made to find equitable outcomes. Compromise encourages stakeholders to understand alternative perspectives and views and the potential for policies to impact different stakeholders differently. Compromise creates space for the ability to support a concept based on principles of design or overarching market objectives even when it may not align with a particular stakeholder’s market strategy. While at times “compromise” can fuel the tendency towards second-best solutions, it can also create space for policy progress that documents outstanding concerns to address them in the future, without “perfection” for a select set of stakeholders becoming the enemy of the “good” for the market at-large. Such tradeoff can only be understood as a part of a process that encourages compromise to find balanced solutions.

Workshop #2 Topic: How could issues and solutions before the Regional Organization get raised? Who leads?

1. Policy topic selection: who selects among a list of competing priorities for stakeholder attention?

Aside from who selects among competing priorities, PGP has ideas for how such a list of priorities is established. Within the goal of retaining and building upon current processes that are already working well, the new Policy Roadmap process with the enhanced role of the Regional Issues Forum and Body of State Regulators feedback is evolving in the right direction. This is foundationally built upon the concept of the “who” being a combination of RO staff, stakeholders, and regulators which is a reasonable approach. Some recommendations for how to build upon the current process include:

- **Concept submittal should continue to indicate priority/interest and impact.** PGP prefers a more open approach where stakeholders could submit or select from an existing list a few issues to categorize as high priority with a short explanation of why as opposed to the rank/survey approach which can be difficult to interpret across a broad set of stakeholders. Topics should be prioritized based on high levels of interest or impact among stakeholders. The explanation of potential or current market impact of a change or lack thereof is also an important metric for evaluating materiality, scope, and prioritizing issues.
- **Development of a “parking lot” of items for future consideration.** This list would capture issues that arise during ongoing policy development or working groups that need further work or evaluation. It could capture items that were deemed out of scope but important to some stakeholders, sticking points raised in final opinion documentation (see 6b below), and items that require additional analysis to inform dialogue at a future date. This benefits stakeholders by enabling them to feel heard and have a record of issues that can be temporarily de-prioritized, while ensuring that these items do not get lost or forgotten within the process. The “parking lot” can automatically feed into the Policy Roadmap process with items to be evaluated against other priorities for consideration in the future. This benefits staff/facilitators in creating a mechanism to temporarily table items that cannot be fully or appropriately addressed in the forum in which they arise. This concept should also help to streamline the policy development process, while improving transparency regarding prioritization and ongoing status of topics in this category.
- **Improvements to the survey and summary process.** The grouping of submissions into topical areas was a helpful exercise that could be useful for determining the level of interest in a topic or set of topics and generating the starting point for a working

group. While we appreciate the intent of the survey approach used for prioritizing issues, it can be difficult to rank topics without an understanding of how significant an issue may be to address. A working group could be used to further prioritize subtopics in a particular area and document potential impacts, solutions, and scope. To improve interpretation of how feedback is used, we recommend questions in the survey about if a particular topic or group of topics should be considered for a working group, or if an issue is narrow and scoped enough to move straight to policy development.

2. Originating policy framing: who first presents a problem statement and solution range?

Sample problem statements should be part of the original submittal of concepts in need of policy improvements by stakeholders, while subject matter experts should present a range of potential solutions when a topic or problem statement is introduced as part of a working group stakeholder process. Whitepapers or presentations that provide relevant background, explain related market processes, and explore a range of possible solutions and framing should be developed by subject matter experts as background to build informed stakeholder dialogue and encourage engagement from stakeholders. The initial range of solutions should enable feedback and ideating among stakeholders for development of a broader range of potential solutions for consideration.

3. Stakeholder-led workshops: who has responsibility for facilitating discussion and moving an agenda forward?

To align with the objective of transparency, the facilitation role should be differentiated from the subject matter expert (SME) or stakeholder role. This does not mean that a single person cannot be both, but best practices should drive the facilitator to differentiate when they are speaking as a stakeholder or SME vs. facilitator. The stakeholder process should include materials posted in advance of meetings, and opportunities for written and verbal comments. Stakeholder-led facilitation with supporting roles and clear responsibilities can create improved buy-in and ownership of policy outcomes. Simply soliciting volunteers with insufficient information about the nature of the commitment being made and how any work products will be considered may be inadequate for creating meaningful participation. Third-party facilitation or SME roles can reduce the perception of staff or stakeholder-facilitator bias.

PGP also sees the working group process and policy development process as two distinct phases of policy development which may warrant different leadership, voting, and stakeholder engagement structures. PGP sees the working group process as enhancing a single or set of problem statements and potential solution sets to the point of being narrow enough for participants to understand all areas of market design that would be impacted by a change in policy, identify and document interrelated issues, and to understand the range and feasibility of possible solutions. There should be agreement from a majority of stakeholders that a topic is ready and narrow enough to move to the policy phase before doing so, and topic areas that have been tabled for future consideration should be moved to the proposed parking lot.

Our participation in stakeholder processes has also shown that valuable dialogue and ideating can happen in smaller subgroups focused on a specific issue. While the creation of small groups needs to have mechanisms to maintain transparency, formalization of this concept is an improvement in transparency as compared to these groups forming behind the scenes in any event. We look forward to further dialogue on how to increase formality and engagement within the process without sacrificing transparency and efficiency. A model for consideration in this regard is that of the Governance Review Committee. While perhaps a GRC level of formality is unnecessary for all working groups, the GRC nonetheless represents a successful

use of a small committee or working group structure to create and structure proposals for broader stakeholder feedback and engagement even while ultimate decision-making continued to reside with the EIM Governing Body and CAISO Board of Governors.

4. Selectivity of bottoms-up stakeholdering: how often and (possibly) through what nomination process are topics subject to a stakeholder-driven process?

The topic and nomination process for bottoms-up stakeholdering should continue to build upon the currently evolving Policy Roadmap Process. With enhanced differentiation of the CAISO MO and CAISO BA role and related services, further consideration of how to better align the process and grouping of topics under the Pathways governance framework should be a focus of ongoing process improvements.

Workshop #3 Topic: What could a sector-based committee and voting structure add?

In general, PGP believes that some form of voting can increase confidence among stakeholders with respect to decision-making and market policy outcomes. It can also enable more efficiently addressing and understanding majority versus minority views and increasing transparency with respect to the how the balance of interests translates into decision-making. There are likely differing objectives that could be achieved with more or less formal voting structures. PGP's experience in the Markets+ process has been that the responsibility of a formal vote can lead to enhanced engagement but it can also make it difficult for some stakeholders to invest the necessary resources to fully engage in all topics that require votes. Whether to create weighted voting also depends upon the intended purpose of the vote. For voting that is binding or is necessary for a proposal to move to the next level of approval, weighted voting becomes more important to reflect the relative direct impact of decisions on differently situated stakeholders. However, establishing appropriate weighted voting structures can become challenging when considering public interest organizations, who have an important but less of a direct financial stake in market outcomes. During this time of transition with some participants in the Energy Imbalance Market only, others transitioning to the Extended Day-Ahead Market, and CAISO participants in a full Independent System Operator structure, market participants also arguably have a different stake in the outcomes. This adds an additional dimension and significant complexity to sector establishment and the concept of what could constitute a fair and equitable weighted voting structure. PGP recommends that this working group first consider indicative and informational voting structures prior to consideration of moving to more formal, binding and weighted voting structures.

5. Sector definitions: Should sectors be established? If so, how should they be defined?

- Should they be weighted for voting purposes? If so, how? [See above.](#)
- What could be the value of sector designations outside of voting? [See above.](#)

6. Voting: Should stakeholder engagement include voting? If so,

- What kind of issues are selected to be voted on?
- At what points in the process should voting be scheduled?

PGP's experience in the Markets+ process has shown that voting can be helpful in a number of situations, which may indicate a different level of formality. Examples include: Informal votes checking direction of a proposal or concept, ability to move past an issue by establishing relative priority and/or perceived ability to address in the current dialogue, or in checking general level of consensus on a topic or set of topics. Binding voting has demonstrated more use when a concept is at

a natural juncture in policy development, for example in formalizing a concept, moving an idea from working group/scoping phase to design phase, or elevating a design and plan for next steps to a decision body.

- Should voting be indicative or binding?

The discussion at the Pathways workshops illustrated that we are in an evolving policy space with new stakeholder groups and sectors joining the dialogue on important issues to their stakeholders. PGP and others also expressed appreciation for the openness of the existing CAISO process, which as framed in the Gridworks report is the most open of any ISO to date. Given the complexities of establishing weighting, sectors, and the tradeoffs with the risk of potentially diminishing the benefits of an open and self-selecting process for engagement, PGP is supportive of using indicative/informal voting as a starting point with the ability to add a more formal and binding voting structure later if the need arises. With informal voting structures we also see a benefit in building on the concept of asking for levels of support (ex. Support, Support Caveats, Neutral, Do Not Support, See red flags) and an opportunity for a succinct statement from minority or dissenting views of the outstanding sticking points. Such a record and outstanding concerns should be a part of the official record and should be shared with the decision body as part of any final approval process.

PGP has also observed that the organization by topic at the working group phase with narrower concepts in the policy initiative phase in the current CAISO process helps to support the established objectives of maintaining informed, timely, transparent, open and accessible stakeholder processes, while limiting the burden of engagement for stakeholders with interest in only a subset of policy topics. Sector or weighted voting structures seem to align better with broader grouping of policy topics or strategic direction but may be challenging to implement in a fair way at the policy initiative level. PGP sees retention of the current organization of topics from working group into policy initiatives as a benefit of the CAISO process and if weighted voting is introduced later, it should explicitly address how and where it can appropriately map into this structure and avoid increasing the burden of participation for stakeholders.

7. Standing and ad hoc committee status: what sort of forums or committees do sectors use to organize themselves?

PGP's Northwest Public Power Organized Market Principles¹ on governance state: "Market participants, state representatives, power marketing agencies, and public power from all regions impacted by the market shall have organized forums to discuss issues, develop proposals, and make recommendations to the Board on these issues." The Body of State Regulators and the current sector organization in the Western Energy Imbalance Market Regional Issues Forum (WEIM RIF), provide a foundation for alignment with this principle, but formal documentation of the opportunities for and weight of the feedback from these entities should be clearly articulated in the RO stakeholder proposal. Given the enhanced role of the Regional Issues Forum in guiding policy direction is a relatively new process, PGP recommends continuing to use, evolve, and formalize this structure as a starting point rather than introducing new committee structures at this time. If stakeholders have concerns regarding the durability or equity of this approach, we recommend introducing a trigger in the Phase 2 proposal for how often the RIF sectors should be re-evaluated and why. Nothing in the current structure prevents or discourages ad-hoc coordination and organization among stakeholders in

¹ PGP coordinated with the Northwest Requirement Utilities, PNGC Power, and the Western Public Agencies Group to update our [Northwest Public Power Organized Market Design Principles](#) in May of 2023. These principles guide our objectives for evaluating the governance and other structures of any organized market proposal.

addition to the formal structures, this provides sufficient forums and committees for stakeholders to collaborate and coordinate.

General feedback:

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

While this concept has been grouped under the Public Interest topic in the Pathways Process, PGP finds that the roles of the Market Surveillance Committee for the CAISO Board and the Independent Market Expert for the Western Energy Imbalance Market are important checks in the policy development process that support the stakeholder process objectives of independent governance, unbiased decision-making and balanced outcomes. We recommend further dialogue and documentation for how the independent panel/expert concept will be preserved in the new governance framework and suggest that, at minimum, this should be conceptually included as part of the Stakeholder Process Straw Proposal. In addition to providing a safeguard for consumers, engagement with these experts is one of the forums where formal and informal sector and stakeholder interactions can also improve buy-in and understanding of policy proposals under consideration, and this interaction should be captured in any comprehensive Stakeholder Process Proposal. We look forward to reviewing the comments and feedback from other stakeholders and to seeing the forthcoming Straw Proposal.