



West-Wide Governance Pathways Initiative

Stakeholder Comment Template: CAISO Issues and Tariff Analysis

Comments of SDG&E

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:

CAISO Issues

Please provide feedback with as much detail as possible on the following topics:

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)?

Option 2.5 provides more assurance that the costs of RO board policies will be equitably allocated to all entities participating in the markets it oversees.

Option 2 would allow for a transition of authority over market services to the separate corporate entity structure in a timelier manner than Option 2.5. Additionally, Option 2 is described as more cost effective, as market operations and institutional capabilities remain with the CAISO, and it would need to maintain a relatively smaller staff in order to operate. The RO would maintain legal separation from potential market failures, as all service provider responsibilities would remain with CAISO. Additionally, as shown in the presentation, responsibility for compliance under FERC would fall to the CAISO, not the RO board. Under this model, because accountability for RO board decisions would rest with CAISO, load within CAISO's footprint could end up burdened with costs that were driven by the decisions of the RO board.

Option 2.5 will require more time and capital in order to begin operations due to its complexity. With the CAISO acting as a vendor of services to the RO, the RO would not only have authority over market services but would also be accountable for the outcome of its policy decisions and any potential market failures. With CAISO acting as a vendor to the RO, there are legal and contractual safeguards so that costs associated with market failures or unintended consequences of actions of the RO would not be borne solely by CAISO load.

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)?

As currently described, the CAISO would have "corporate protections" under Option 2; however, these protections do not extend to financially protect the market participants within the CAISO footprint from decisions made by the RO. Costs that arise from RO-adopted policies should be allocated equitably to all members of the RO, not solely to CAISO footprint entities. Option 2.5 increases accountability for the RO. With a contract for vendor services, the CAISO would have increased legal and contractual protection from potential market failures that are the result of independent decisions made by the RO, which prevents CAISO load from being solely burdened by any costs associated with independent governance decisions made by the RO.



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

SDG&E looks forward to reviewing the forthcoming cost analysis of both options. The Launch Committee should prioritize affordability wherever possible to provide the best value to market participants and end use customers, but must also ensure that cost allocation of policies is equitable across participating entities.

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

SDG&E does not have any feedback at this time.

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?

See response to questions 1 and 2.

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?

As discussed in SDG&E's response to questions 1 and 2, Option 2 allows for governance independence of the RO and offers "corporate protections" for the CAISO; however, these protections do not extend to financial liability. As shown in the presentation, under Option 2 it is most likely that CAISO will be sued in the event of a market-related dispute, not the RO. Additionally, the RO is not responsible for FERC compliance under Option 2, meaning that any non-compliance penalties could be assessed only on CAISO and CAISO footprint entities. The Launch Committee must ensure that RO costs are allocated equitably across market participants to minimize unjustly burdening entities in the CAISO footprint. If the Launch Committee proceeds with Option 2, SDG&E recommends it build in additional financial protections for the CAISO footprint.

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

SDG&E does not have any feedback at this time.

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?

While a stepwise approach may seem more feasible currently, it does pose a risk of not moving forward once Option 2 is achieved. Once the RO is established as described in Option 2, there may be less incentive to continue an evolution to Option 2.5, or additional unanticipated hurdles that may be difficult to overcome. The Launch Committee should carefully weigh a faster incremental approach (with potential future roadblocks) against a longer initial process that moves directly to Option 2.5.



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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.

SDG&E does not see any issues with the proposed sole and shared authority at this time.

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.

SDG&E does not see any issues with the suggested principles at this time.

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.

SDG&E does not see any issues with the suggested principles at this time.

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.

SDG&E does not see any issues with the suggested principles at this time.

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

Creating an intent test similar to the “apply to” test that was created in Step 1 could be a practical way to address issues of overlapping authority between the RO and the CAISO. It may also be helpful to perform some tariff reorganization in order to simplify the process and reduce the chance of running into complications when utilizing the intent test.

SDG&E does not believe that leaving these decisions to the future is a practical solution. To the extent feasible, authority decisions should be addressed in advance of the launch of the RO.

General feedback:

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

SDG&E appreciates the opportunity to comment on these issues and has no further feedback to offer at this time.

Written comments are due on August 19, 2024. Please submit comments via email to



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Comments@WestWidePathwaysInitiative.org. Thank you in advance for your time and feedback. We look forward to receiving your comments and ideas.