

West-Wide Governance Pathways Initiative

Joint CREPC-WIRAB Fall Meeting
October 24, 2024



West-Wide Governance Pathways Initiative

Launch Committee Mission

The Mission of the Launch Committee of the WWGPI (Committee) is to develop and form a new and independent entity with an independent governance structure that is capable of overseeing an expansive suite of West-wide wholesale electricity markets and related functions based on the following core principles:

- The entity should enable the largest footprint possible that includes California, and maximizes overall consumer benefits;
- The entity will include independent governance for all market operations;
- The new entity will preserve and build upon existing CAISO market structures that serve over 80% of the Western Interconnection, including the Western Energy Imbalance Market (WEIM) and the Extended Day Ahead Market (EDAM);
- A primary goal will be to minimize duplication and incurrence of costs for both the market operator and market participants; and
- The structure should be flexible to accommodate the future voluntary provisions of full regional transmission organization (RTO) services for those entities that desire to do so, but not mandate that any entity must join such a future potential RTO.



Launch Committee Members

CA IOU Transmission Owners:

Scott Ranzal, PG&E
Jeff Nelson, SCE

EIM Entities:

Omayya Ahmad, APS
David Rubin, NVE
Kerstin Rock, PAC
Pam Sporborg, PGE
Alternate:
Robert Eckenrod, PAC

Public Power and Coops:

Josh Walter, SCL
Connor Reiten, PNGC
Jim Shetler, BANC
Randy Howard, NCPA
Alternate:
Jon Olson, SMUD

Non-utility Load Serving Entities:

Evelyn Kahl, CalCCA
Alternate:
Beth Vaughan, CalCCA

Independent Power Producers:

Scott Miller, WPTF
Jan Smutny-Jones, IEPA
Lisa Tormoen Hickey, Interwest
Alternates:
Spencer Gray, NIPPC
Ben Fitch-Fleischmann, Interwest

Labor:

Marc Joseph, IBEW – CA

Large C&I Customers:

Kathleen Staks, Western Freedom
Alternate:
Heidi Ratz, CEBA

Technology Providers:

Brian Turner, AEU

Public Interest Organizations:

Michael Colvin, EDF
Alaine Ginocchio, WRA
Ben Otto, NW Energy Coalition
Alternate:
Mark Specht, UCS

Non-Voting Members

States/Provinces:

Commissioner Milt Doumit, WA
Commissioner Kevin Thompson, AZ
President Alice Reynolds, CA
Alternates:
Commissioner Letha Tawney, OR
Vice Chair Siva Gunda, CA
Chair Pat O'Connell, NM

Residential and Small Commercial Customers:

Michele Beck, Utah Office of
Consumer Services
Linda Serizawa, CalAdvocates

Power Marketing Authorities:

Chrystal Dean, WAPA



Evaluation Criteria

1. **Maximized net benefits**, including reliability, affordability and environmental benefits, recognizing startup and ongoing costs, and considering both new benefits and impacts on existing benefits.
2. **Equitable representation** across the Western region and among all market participants, including for a wide range of legal entities.
3. **A governance structure** independent of any single state, participant, or class of participants.
4. **Organizational flexibility** to accommodate future expansion of regional solutions and to create a credible and timely path to a voluntary RTO, including the balancing authority and transmission planning functions.
5. **Optionality** to allow market participants to choose the market services they value.
6. **Preservation** of existing balancing authorities' ability to maintain independence, authority, and governance.
7. **An implementation timeline** that promotes broad market participation.
8. **Respect for state authority to set procurement, environmental, reliability and other public interest policies.**



Pathways Initiative

Stepwise Process

Step 1

Elevate WEIM/EDAM Governing Body authority in the governance of existing CAISO energy markets

Step 2

Transfer governance authority over existing energy markets from CAISO to a new Regional Organization

Step 3

Continue expanding the scope of regionalized functions and services offered by the Regional Organization



Defining the Public Interest

Two intertwined components:

- 1) How customer interests, including affordability and reliability, are safeguarded in non-discriminatory market design and operations; and
- 2) How state and local policies, even as they differ across the West, are respected in market design.

These served as the focus and definition of “public interest” for the Launch Committee and were used to ensure that the Step 2 proposal incorporates public interest protections holistically across the new RO’s structure and processes.



Tools to Enhance Public Interest Protections

<u>Category</u>	<u>Recommended Tools</u>
RO Structure and Board	<ul style="list-style-type: none">• RO Articles of Incorporation, bylaws, policies and procedures (collectively “Corporate Documents”)• 501(c)(3) status• Board Member qualifications• Transparent decision-making processes including open meetings and responses to stakeholder comments, and regular meetings with the BOSR• Corporate obligation to respect state authority to set procurement, environmental, reliability, and other public interest policies• Public Policy Committee of the RO Board to engage with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies before final board adoption of a tariff change or initiative through the stakeholder process
RO BOSR	<ul style="list-style-type: none">• Extend the existing BOSR functions to the RO• Maintain current self-governing and decision-making structures• Maintain current membership• Maintain role of advisory Public Power and PMA liaisons• At the outset of the RO the current BOSR funding arrangement will remain with the exploration of future triggers to consider whether the structures and the market have evolved to support modest funding into the tariff



Tools to Enhance Public Interest Protections

Category	Recommended Tools
Consumer Advocate Engagement	<ul style="list-style-type: none">• Create a new independent Consumer Advocate Organization (CAO) to facilitate engagement by each consumer advocate office authorized by state law in the stakeholder process and other RO engagement opportunities• Include modest tariff-based funding to facilitate their participation
Office of Public Participation	<ul style="list-style-type: none">• Create a new Office of Public Participation (OPP) within the RO to provide information and education to members of the public about issues and initiatives at the RO, including facilitating engagement in those processes
Independent Market Monitor	<ul style="list-style-type: none">• Create a joint reporting structure for the Department of Market Monitoring to both the CAISO Board and the RO Board• Equal number of RO Board and CAISO Board representatives on Department of Market Monitoring Oversight Committee• Expand the criteria for selecting Market Surveillance Committee members to include consumer issues and public interest expertise• Transfer the WEM Governing Body Market Expert to the RO Board• Some functions will be shared between RO and CAISO; RO Board will work with CAISO to define reporting and delineate roles and responsibilities
Stakeholder Process	<ul style="list-style-type: none">• Enhance opportunities for tracking and reporting stakeholder sentiments/preferences throughout the process• Create a new initiative issue category: “compliance with state and local public policy”



RO Scope and Function

Under Option 2.0

- RO full governance authority over WEIM/EDAM market rules, with sole Section 205 rights
- Single integrated tariff, with process to organize CAISO tariff into sole RO, sole CAISO, or shared authority
- Market operations continue to be performed and overseen by the CAISO
- CAISO will remain the counterparty to existing market contracts
- CAISO staff will retain emergency operational authority
- Initial estimated annual cost of \$1.25 to \$1.5 million, increasing to \$10 to \$14 million as organization develops.



RO Scope and Function

Under Option 2.5

- RO full governance authority over WEIM/EDAM market rules with ultimate responsibility for operation of the market; sole Section 205 rights
- Possible separation of the RO tariff from CAISO tariff
- CAISO's financial responsibility, liability, and compliance shifts to the RO
- CAISO continues market operation under a vendor contract with the RO
- RO will likely become a public utility
- RO will likely become counterparty to existing CAISO market contracts
- Estimated annual cost of \$25 million- RO will have more extensive staffing



Structural Recommendations

- RO Launch: Option 2.0
 - Policy-setting organization for the establishment and oversight of market rules for the WEIM and EDAM
- Over time, consider transition to Option 2.5
 - Feasibility study by the RO Board and stakeholders to assess costs, benefits, possible expanded market functions, and implementation details
 - Determine future structure needs to enable continued evolution
- Long-term Vision: The RO will be able to offer, on a **voluntary** basis, any additional services desired by Western stakeholders.
 - While some utilities may not have the regulatory authority at the outset to participate in this broader menu of services, opportunities exist to gain many of the benefits of broad participation in the RO services through co-optimization of the RO's new services under a vendor contract with the CAISO.



Elements of Independence

Regional Organization

Elements of Independence

Independent Board

Organizational:

- Independent RO Board
- Sole authority over BPMs
- Separate & independent legal entity
- Regular evaluations of CAISO contract performance
- Joint Reporting from Independent Market Monitor
- Ability to add voluntary market services for Western entities who request them

Tariff:

- Sole 205 Filing Rights
- Sole authority over provisions related to WEIM and EDAM

Staffing:

- RO dedicated staff
- Advisory input into VP selections that oversee market policies
- Advisory role in selection of CAISO CEO and management level staff

Stakeholder Process & Public Interest:

- RO led, CAISO supported stakeholder process
 - Body of State Regulators
- Independent Consumer Advocate Organization
 - RO Office of Public Participation



Pathways Expands Regional Coordination in Energy Markets But Leaves Other CAISO Functions Untouched

Transmission
System
Control &
Operation

Transmission
Planning

Balancing
Authority
Functions

Reliability
Coordination

Resource
Adequacy

Energy
Markets











*Western Energy
Imbalance Market*

*Extended Day
Ahead Market*



California Legislative Cycle

2025 - exact dates not yet available

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
Legislature Convenes										
Bills Introduced										
1st House Policy Committee Hearings										
1st House Fiscal Committee Hearing										
1st House Floor Vote										
2nd House Policy Committee Hearings										
Summer Recess										
2nd House Fiscal Committee Hearing										
2nd House Floor Vote Legislature Adjourns										
Governor Sign/Veto										

Next Steps

Nov 15: Issue Step 2 Final Proposal

Nov 22: Monthly Stakeholder Meeting (review Step 2 Final Proposal and vote)

2025

CA Legislative Session

Launch Committee's Formation Committee works with CAISO

- Seat RO Board
- Incorporate RO
- Transition plans for WEM GB, stakeholder process
- Contract and tariff negotiations

2026 and beyond

- Feasibility analysis
- Implement necessary FERC, contract, tariff, staffing changes
- Additional voluntary market services as demanded by western market participants





Thank You



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