



Re: Tariff Analysis and CAISO Issues Workshop

Dear West-Wide Governance Pathways Initiative,

The Clean Energy Buyers Association (CEBA) appreciates the opportunity to comment on the recent Tariff Analysis and CAISO Issues workshop hosted by the West-Wide Governance Pathways Initiative (Pathways Initiative). We thank the Launch Committee for working with stakeholders to better understand their needs and to collect feedback on potential options.

With this input, the Pathways Initiative should focus its Step 2 proposal on the development of a Regional Organization (RO) entity that enables the most participation, while managing costs appropriately. CEBA strongly supports the development of a Step 2 proposal that facilitates market evolution and the addition of services beyond WEIM/EDAM, up to and including an RTO. As the Step 2 proposal is developed further, the potential for an expanded market to provide long-term cost savings for all customers should be a key consideration guiding market evolution.

We offer these comments on the questions related to the 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)?**

CEBA supports the RO more formally offering market services and taking on the responsibility related to that role. This level of involvement is consistent with the long-term goals of the initiative, as we discuss below.

- 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)?**

CEBA supports the contract for services model used in Option 2.5 which will provide the RO with more flexibility to evolve its future market construct. There is strong demand from CEBA and other stakeholders for the RO to add new market services, up to a full RTO, that unlock additional cost savings and benefits. The contract for services model is better aligned with a broader future scope of services.

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

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Implementation costs are important to CEBA and we encourage the Pathways Initiative and its stakeholders to take a holistic, long-term view. We understand that moving toward Option 2.5 creates complexity and cost. For example, the reworking of existing contracts with market participants or hiring of new staff are material issues. We look forward to seeing the future estimates the Pathways Initiative is developing to illustrate the range of cost differences between 2.0 and 2.5. Stakeholders can have a more informed discussion on the trade-off between costs and additional functionality as they consider both these estimates and the potential reduced administrative costs of faster evolution. Thoughtful market development and implementation is already a long process and removing delays where possible will provide savings.

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

In both Option 2.0 and Option 2.5 the RO would hold sole 205 rights, which provides meaningful independence from CAISO. CEBA sees value in the additional institutional independence that Option 2.5 provides as it is better suited to enabling broad participation and maximizing future market footprint and services.

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?

No comment at this time but we look forward to learning more in the next Step 2 proposal.

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?

No comment at this time but we look forward to learning more in the next Step 2 proposal.

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

CEBA views both 2.0 and 2.5 as workable solutions for expanding services beyond day-ahead markets. As described in the recent workshop, there are several qualities across both options that will support market evolution.

However, we favor 2.5 as a more efficient first step that will maximize the ability to add new market services and speed evolution. We support developing an RO that would more



formally offer and bear ultimate responsibility for market services, which Option 2.5 allows. Integrating Federal Energy Regulatory Commission (FERC) standards for independence, accounting for the ability of the RO to grow into a public utility, and registering with the Western Electricity Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC) signals the intent to grow and evolve into an RTO-capable entity. The costs related to adoption of Option 2.5 should be balanced against the ability of an expanded market to provide long-term cost savings for participating entities.

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?

Please see our comments on question #3.

CEBA thanks the Launch Committee's working group focused on Tariff Analysis and CAISO Issues for their hard work. The considerations for developing an independent entity capable of providing an expansive suite of market services are complex and highly interrelated. We appreciate the transparency the Pathways Initiative has provided as it examines the impacts of different approaches.

Sincerely,
/s/ Heidi Ratz
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About CEBA

CEBA is a business trade association that activates a community of energy customers and partners to deploy market and policy solutions for a carbon-free energy system. CEBA's more than 400 members represent more than \$7.5 trillion in annual revenues and 18.5 million employees and include institutional energy customers of every type and size – corporate and industrial companies, universities, and cities. CEBA's members include one-fifth of the Fortune 500.

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