

WEST-WIDE GOVERNANCE PATHWAYS INITIATIVE

CALIFORNIA COMMUNITY CHOICE ASSOCIATION COMMENTS ON THE WEST-WIDE GOVERNANCE PATHWAYS INITIATIVE STEP 2 DRAFT PROPOSAL

October 25, 2024

The California Community Choice Association¹ (CalCCA) appreciates the opportunity to comment on the West-Wide Governance Pathways Initiative (Pathways Initiative) Step 2 Draft Proposal (Draft Proposal). CalCCA strongly supports the Draft Proposal. It takes meaningful steps toward greater independence of the day-ahead and real-time energy markets through the creation of the Regional Organization (RO). It also sets the groundwork for future opportunities to increase the RO's level of independence and scope of functions. The comments herein, in response to the Stakeholder Comment Template, provide the following overall recommendations for the Launch Committee:

- ✓ Adopt the stepwise approach that begins with Option 2.0, followed by a feasibility study, before transitioning to a structure with further independence, such as Option 2.5;
- ✓ Begin with a single integrated tariff to lay the groundwork to eventually progress to separate tariffs if desired by stakeholders;
- ✓ Recommend the RO hold a stakeholder process to perform an in-depth review of the tariff section by section to assign functions resulting in a recommendation to the RO board and California Independent System Operator Corporation (CAISO) board for joint decision;
- ✓ Recommend the RO solicit stakeholder comments prior to an audit to identify areas of focus for the auditor in the tariff or business practice manuals;
- ✓ Adopt a joint reporting structure for the Department of Market Monitoring (DMM) to both the CAISO and the RO along with shared decision-making in DMM upper management hiring;
- ✓ Adopt the revised sector proposal and develop a directory of individual stakeholders by sector for the benefit of the RO board; and

¹ California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance of Southern California, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

- ✓ Develop a new Consumer Advocate Organization and an Office of Public Participation with modest budgets funded through the tariff and maintain the current Body of State Regulators (BOSR) funding structure which recovers BOSR costs from state regulated market participants.

The adoption of the Draft Proposal, as recommended herein, will advance regional coordination across the West and enable opportunities to capture the reliability, affordability, and green-house gas reduction benefits such coordination can provide. The following provides CalCCA's responses to questions posed in the Stakeholder Comment Template.

- 1. *Support for Step 2 Draft Proposal:*** Please indicate your level of support for the Step 2 Draft Proposal. Please provide general reactions, an indication of the benefits of the structural elements that are being proposed, and if you think that the Draft Proposal is on the right track.

CalCCA strongly supports the Draft Proposal. It advances a comprehensive framework for the new RO with complete independent governance over the Western Energy Imbalance Market (WEIM) and Extended Day-Ahead Market (EDAM). The Draft Proposal takes an incremental step that contains costs in the near term but is durable enough to continue to maximize independence and expand the scope of the RO's functions and services as desired by stakeholders. In addition, the Draft Proposal develops the responsibility and structure of the RO and its relationship to CAISO, emphasizes public interest protections, and establishes a robust stakeholder process. As described further in the sections below, CalCCA supports adoption of the Draft Proposal, and recommends minor additions to: (1) the proposal for RO audit rights; and (2) the proposal for sectors within the Stakeholder Representatives Committee (SRC).

- 2. *Stepwise approach:*** The Draft Proposal would continue the stepwise approach for Step 2, beginning with Option 2.0, followed by the RO commencing a feasibility study within 9 months of its formation. Depending on the results of the study, the RO would assume further responsibility in the form of Option 2.5 or a similar structure. This stepwise approach is motivated by a desire to continue early momentum towards regional governance by standing up the RO in the near term, while recognizing the time required to create the infrastructure and financial reserves to enable Option 2.5, and the need to better understand the costs, benefits and structural specifics of Option 2.5. The RO would then have the ultimate authority, with stakeholder input, to make decisions about next steps from and after its formation. Does this stepwise approach create a platform that can achieve the desired level of independence at an appropriate cost to customers?

A stepwise approach was successful in moving the Pathways Initiative forward with Step 1 while providing stakeholders more time to develop more structural changes in Step 2. The Pathways Initiative should continue a stepwise approach for Step 2 by beginning with Option 2.0 and transitioning to a structure that furthers independence, such as Option 2.5 described in the

Draft Proposal as one example.² This approach will allow for continued progress on regional coordination through the implementation of an RO and the opportunity to pursue greater levels of RO independence desired by stakeholders. The feasibility study will allow stakeholders to assess the costs and benefits of transitioning to a structure that furthers independence, investigate expanded market functions, and work through implementation details of the RO taking on additional independence. For these reasons, CalCCA supports the continuation of the stepwise approach for Step 2.

3. **Cost:** *The Launch Committee has created a high-level preliminary cost estimate for Option 2.0 and 2.5. Please provide feedback on the level of staffing and the costs for both options. Do these estimates seem reasonable, and would stakeholders be willing to shoulder these costs associated with increased independence?*

Given the ongoing and critical concerns regarding ratepayer affordability, particularly in California, costs are a critical consideration in evaluating Option 2 versus other options. The Draft Proposal estimates all-in costs of \$14 million for Option 2 and \$24 million for Option 2.5. The Pathways Initiative should begin with Option 2.0, the lower-cost option, with a plan to transition to a structure with greater independence after further investigating the costs and benefits through the feasibility study proposed in the Draft Proposal. This approach will allow additional time for the Launch Committee and stakeholders to confirm that the benefits of shifting to another structure are worth the costs.

4. **Tariff approach:** *The Draft Proposal recommended maintaining a single integrated tariff at the outset, and embarking on an effort to organize the tariff into the areas of sole CAISO, sole RO, and where there is overlapping shared authority. This effort would lay the groundwork to eventually to progress to separate tariffs, should that separation be desired by stakeholders. Do you support this approach? If not, please provide an alternative approach and as much explanation as possible on how the alternative would better address stakeholder needs.*

The Draft Proposal's recommendation to maintain a single integrated tariff at the outset to lay the groundwork to eventually progress to separate tariffs, if desired by stakeholders, is a reasonable path. The RO will need to organize the tariff into areas of sole CAISO authority, sole RO authority, and overlapping authority. The RO will therefore need to hold a stakeholder process to perform an in-depth review of the tariff section by section to assign functions. The ultimate decision on areas of authority must lie with both the RO board and the CAISO board to ensure agreement on which items are sole authority versus overlapping authority. Therefore, the stakeholder process should conclude with a recommendation for joint decision by the RO Board and the CAISO Board.

² Draft Proposal, at 15.

The Draft Proposal states, “[w]hile the RO would not have direct day-to-day supervision of market operations, the RO would have audit rights and responsibilities to ensure the CAISO as market operator is following the tariff and business practices.”³ Prior to conducting an audit, it will be beneficial for the RO to solicit stakeholder comments identifying areas of focus for the auditor in the tariff or business practice manuals. Receiving this input, especially early on in RO operations, can help the auditor focus its evaluation on areas that market participants have identified as priorities based on their experience in the market.

- 5. Department of Market Monitoring (DMM):** *The Draft Proposal recommended a joint reporting structure for DMM and RO shared decision making in DMM upper management hiring. Would this change enable sufficient independence? If you think that the proposed approach does not achieve sufficient independence, please provide an alternative approach that would better address stakeholder needs, including any cost implications.*

The recommendation for a joint reporting structure for DMM to both the CAISO and the RO and shared decision making in DMM upper management hiring should be adopted. The structure of DMM as an “internal, yet fully independent, business unit of the CAISO”⁴ has successfully enabled sufficient independence of the DMM from the CAISO. The shift to a joint reporting structure will therefore maintain that independence between DMM, the CAISO, and the RO.

- 6. Sectors:** *The Launch Committee is holding a workshop (10/7) focusing on sectors and seats on the Stakeholder Representatives Committee (SRC), and will release a revised sector proposal on 10/14. Please share your thoughts on the revised sector proposal and if this component of the overall stakeholder process would allow for meaningful participation and all stakeholder voices to be heard.*

The revised sector proposal should be adopted for several reasons. *First*, the revised sector name and number of seats for the sector entitled “Non-IOU Load Serving Entities [LSEs] Serving Load from WEIM or EDAM” more accurately describes and represents the types of potential entities included in this sector. Not all entities within this sector are utilities; therefore, classifying these entities as LSEs better represents the entities that will be included. Increasing the number of seats from three to four will also ensure the diversity of the sector is adequately reflected in the SRC. *Second*, the clarification that entities participating collectively through an EDAM entity cannot also participate in a different sector as individual entities will ensure that no subset of entities are able to participate in multiple sectors. The final proposal should clarify further that this rule applies only where the individual entities control the decisions of the EDAM entity, as is the case for entities like The Balancing Authority of Northern California and the Northern California Power Agency. This approach will ensure all organizations are represented

³ Draft Proposal, at 10.

⁴ *Id.*, at 69.

on a level-playing field, in the one sector of their choosing. *Third*, CalCCA supports creating a separate category for “other load-serving non-market participants.” These entities do not fit into any of the proposed sectors, because they are not WEIM or EDAM participants, and therefore should not have a seat on the SRC. However, they may have interests in participating in RO stakeholder processes and may offer valuable insights via their participation. A separate category for these entities will allow them an avenue to fully participate in RO stakeholder processes while reserving SRC seats for entities participating in the RO markets. *Finally*, CalCCA supports the proposal to revisit sectors at two points: (1) at the RO implementation phase; and (2) two years after implementation. While the sectors defined in the revised sector proposal appear to adequately represent and categorize the stakeholders that will participate in RO stakeholder processes, RO implementation and operation may reveal improvements that to enable further consensus, collaboration, and other goals of the SRC. For these reasons, the Launch Committee should adopt the revised sector proposal.

Once sector participants are established, the SRC should develop a directory of individual stakeholders by sector for the benefit of the RO board. The directory can include high level information about each entity, including summaries of each entity’s business functions, how they transact in the market, their size, and their geography, and other pertinent facts on their interests in the market. With this information, new members of the RO board can familiarize themselves with the stakeholders that will participate in its stakeholder processes. The directory will also provide the RO board with needed context when assessing positions and votes of individual organizations within each sector.

- 7. *Tariff based funding for new public interest protections:*** *To help safeguard the public interest, the Draft Proposal recommended a new Consumer Advocate Organization and an Office of Public Participation. Both entities are contemplated to have minimal staff (possibly one or two staff members) and modest budgets funded through the tariff. The current BOSR funding structure would remain unchanged and not be funded through the tariff, but may be revisited in the future if stakeholders think reevaluation is appropriate. Do you support tariff-based funding for these enhanced public interest protections? Please share as much detail as possible in your reasoning to help the Launch Committee understand the drivers for stakeholders on this topic.*

CalCCA supports the proposal to develop a new Consumer Advocate Organization and an Office of Public Participation with modest budgets funded through the tariff; and (2) maintain the current BOSR funding structure. Durable and robust public interest protections will ensure the RO offers reliability and affordability benefits to consumers in all participating states while respecting the ability for all participating state and local governments to advance policies applicable to their own loads.

- 8. *Chapter specific feedback:*** *In addition to the questions above, we are seeking feedback on the entire Step 2 Draft Proposal. Please use this space to provide general feedback by chapter, as well as feedback on the embedded technical questions by chapter.*

At this time, CalCCA has no additional chapter-specific feedback. The Draft Proposal should be adopted as set forth herein. The Launch Committee should move forward with the next steps proposed for Phase II and Phase III.