



Elliot E. Mainzer  
President & Chief Executive Officer

**Transmitted Electronically**

October 25, 2024

Pam Sporborg and Kathleen Staks  
Co-Chairs, Launch Committee  
West-Wide Governance Pathways Initiative  
[Comments@WestWidePathwaysInitiative.org](mailto:Comments@WestWidePathwaysInitiative.org)

**RE: PATHWAYS INITIATIVE – Launch Committee Step 2 Proposal**

Dear Ms. Sporborg and Ms. Staks:

The California Independent System Operator (CAISO) offers these comments in response to the Launch Committee's request for feedback on its Step 2 draft proposal published on September 26, 2024.

We continue to provide our support to the efforts of the Pathways Initiative to build on the successes of the Western Energy Imbalance Market and the recently approved Extended Day-Ahead Market. We have collectively demonstrated over the last decade that the West can make substantial progress while building trust and continuing to incrementally develop a unified West-wide market solution. The launch of EDAM will build upon these successes, improving access to an unmatched diversity of clean and reliable resources.

Following unanimous approval by both the CAISO Board of Governors and the WEM Governing Body, the CAISO is currently implementing the Pathways Step 1 proposal. We are revising the governance documents necessary to implement Step 1, for consideration by the Board and Governing Body in November. This is in advance of the proposed "trigger" for the changes to take effect, which is approaching and will be met once a geographically diverse group of utilities serving load equal to or greater than 70% of CAISO load have signed EDAM implementation agreements.

The Pathways Step 2 draft proposal seeks to build upon this progress. We are encouraged by the proposal's commitments to robust protection of the public interest and to preservation of the autonomy of balancing authorities, including CAISO's. This unique approach respects the diverse interests in the West and allows for continued incremental evolution of the western energy markets. In that spirit, CAISO is committed to exploring greater internal separation between our balancing authority responsibilities and our role in providing a platform for a range of regional services to meet the needs of Western stakeholders.

As the Pathways effort progresses, CAISO looks forward to reviewing other feedback on the proposal and continuing our collaborative engagement with the Launch Committee. To that end, we offer several high-level observations for the Pathways team's consideration as it refines the proposal:

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California Independent System Operator Corporation

Pam Sporborg and Kathleen Staks

West-Wide Governance Pathways Initiative

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- (1) **Evolutionary Approach.** We support the thoughtful, evolutionary approach the draft proposal contemplates. To successfully implement changes beyond the current Step 1, the draft proposal observes that enabling legislation will be needed, followed by the corporate formation of an independent Regional Organization (RO). The RO will then need to work closely with the CAISO to develop and implement the agreements and tariff changes required to vest the RO with its proposed governance role over the WEIM and EDAM markets, including the specifics regarding the day-to-day interaction and responsibilities of each organization and how the two organizations collaborate to address and limit corporate liability. The draft proposal identifies each of these key steps, acknowledges the role of CAISO to implement this approach, and further suggests that the CAISO and members of the WEM Governing Body should play an advisory role in the RO formation process. The proposal also recognizes the valuable role that CAISO's market design staff will continue to have in coordination with RO Staff. While the details of how to accomplish this will need to be further developed, we agree that ongoing collaboration through all phases will enable the success of the Step 2 effort, and we stand ready to provide this engagement and support.
- (2) **Public Interest.** We strongly support the “public interest” mission that the draft proposal contemplates for the RO and that animates several more detailed elements reflected in the proposal. The CAISO is a public benefit corporation, and our focus on the broader public interest has played an important role in the overall acceptance and success of our markets. Having a regionally-established RO that is likewise focused on the broader public interest will both enhance the strength of the existing markets and will provide a strong foundation for the development and growth of the RO.
- (3) **Independence.** The proposal appropriately recognizes the value of having an RO Board that satisfies FERC independence standards for ISOs and RTOs. The CAISO's WEM Governing Body is designed to meet FERC independence standards, and this structure has been important both for stakeholders and for FERC. Carrying this concept over to the RO Board can be expected to have a similar salutary effect.

We commend the dedication of the Launch Committee and all of the stakeholders who have participated for their extensive work in support of the Pathways initiative. We look forward to continuing to collaborate on this important endeavor.

Sincerely,



Elliot Mainzer

President and Chief Executive Officer