



## **West-Wide Governance Pathways Initiative**

### **Frequently Asked Questions February 8, 2024 (last updated)**

#### **What is the Westwide Governance Pathways Initiative?**

The Westwide Governance Pathways Initiative (Pathways Initiative) is an effort led by a group of stakeholders from the eleven western states in the Western Interconnection (Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming) with the goal of creating a new entity with an independent governance structure capable of offering an expansive suite of West-wide wholesale electricity market functions across the largest possible footprint.

The Mission and Charter is available [here](#).

All public documents relating to this initiative are available [here](#).

#### **How did this group form and select participants?**

The Pathways Initiative started in July 2023 when electric utility regulators in Arizona, California, New Mexico, Oregon, and Washington sent a letter to a larger group of regulators who serve on the Committee on Regional Electric Power Cooperation (CREPC), which is part of the Western Interstate Energy Board (WIEB). WIEB is a longstanding organization that coordinates energy policy development in the West with its member states and two Canadian provinces with the federal government through a variety of forums involving state regulators and energy offices, utilities, energy service providers, and customers. That July 2023 letter laid out a vision for a new, independently governed entity that could offer a full suite of market services, up to and including a regional transmission organization (RTO), and invited volunteers to help move this concept forward. Facilitated by the Regulatory Assistance Project (RAP), stakeholders from a range of sectors across the West came forward and created a 26-member Launch Committee representing twelve distinct sectors.

#### **Who is involved in this effort?**

The 26-member Launch Committee consists of individuals with experience in state utility commissions, state energy offices, utilities, public interest organizations, consumer advocates, labor representatives, transmission owners, transmission users, transmission service providers, independent power generators, power marketers, large commercial and industrial customers, and trade organizations, who have an interest in exploring opportunities to develop independent governance for electricity markets in the West. The Launch Committee roster and sector representation is located [here](#).

#### **Who is paying for this effort?**

The Pathways Initiative is funded independently. The Launch Committee is a group of volunteers with deep experience in this topic who are providing in-kind services and expertise. The Committee is actively seeking funds from persons and organizations with an interest in

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supporting a West-wide market with independent governance. Initially the Regulatory Assistance Project (RAP) facilitated the formation and early meetings of the Launch Committee with RAP's own funds. The Launch Committee has retained a fiscal sponsor, [Global Impact](#), to manage the finances so that donations are tax-deductible under IRS 501(c)(3) nonprofit rules. As outlined in the contract between Global Impact and the Launch Committee "Association" (the majority of the Launch Committee members with decision-making authority), the Launch Committee Association directs all expenditures of funds collected to support the Pathways Initiative. Global Impact does not have any control over the Launch Committee discussions, proposals, or evaluation regarding governance structures for western energy market functions. The Launch Committee activities will not include promoting specific legislation and will fall under IRS 501(c)(3) guidelines.

The Launch Committee Association is also applying for funding through the U.S. Department of Energy Grid Deployment Office to support broader stakeholder engagement and education throughout the process of developing western market options. You can learn more about this funding proposal [here](#).

### **Electric utility policy is the responsibility of each state. Why do we need to coordinate across states?**

As electricity demand in the West continues to grow and change and the mix of electric resources transitions from large central plants to more widely dispersed resources like wind and solar, increasing the speed and sophistication of utility coordination grows more important every day. There have been many improvements and efforts over the last several decades to increase coordination and efficiency of the system, but we still have multiple utilities operating under different regulatory regimes that must prioritize and plan for their own systems rather than take a holistic regional view. This results in a fragmented system that is less reliable than a single system that fully recognizes the interconnectedness of the grid. The lack of coordination also often contributes to consumer risk of both over- and under-investment in energy infrastructure in various parts of the region. The Pathways Initiative seeks to enable additional and alternative market development and more regional coordination by creating an independent entity to govern market services which will help optimize the region's resources to increase reliability and cost-effective electricity for consumers across the West.

### **Is there an example of how utilities and regulators are cooperating in new ways to meet customer needs and state policy objectives?**

Yes. Currently, over 80% of electricity providers in the West participate in the Western Energy Imbalance Market (WEIM) operated by the California Independent System Operator (CAISO). Other western entities participate in the Western Energy Imbalance Service Market (WEIS) operated by the Southwest Power Pool (SPP). These markets enable sharing within each hour of the day to allow local utilities to account for variations in the power and loads they expect to see, and what actually occurs in that hour. CAISO posts benefits quarterly for each participant [here](#) and SPP posts annual benefits [here](#).

Over the last several years, both CAISO and SPP have been developing day ahead market offerings that are projected to increase the economic and emissions reductions benefits well over

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what market participants have already seen through the real time markets. CAISO's Extended Day Ahead Market (EDAM) tariff was approved by FERC in December 2023 and SPP plans to file its tariff with FERC for Markets+ in March 2024. Both markets have current go-live dates of 2026.

Because of the size of the footprint and the number of participants in the WEIM, including most utilities in California, the Pathways Initiative seeks to leverage and accelerate the progress made to date by WEIM and the potential of EDAM. Western market participants and states have invested significant resources in the WEIM, which has delivered over \$5 billion in savings and enhanced system reliability for participating states. While EDAM promises much greater participant benefits relative to WEIM, without a path to a fully independent governance structure, some WEIM participants may not be willing or able to join EDAM, limiting the size of the footprint and potential benefits.

### **Who oversees the Western Energy Imbalance Market today?**

The WEIM is governed by a five-member body with shared authority from the CAISO Board of Governors on rules specific to participation in the WEIM. The five members of the CAISO Board of Governors are nominated by the California governor and confirmed by the state senate and are tasked with approval of the annual budget, shaping policies, and approving grid planning and market design changes. Designed by regional stakeholders, the WEIM governing body is nominated by a committee of western stakeholders. Learn more [here](#).

### **If utilities and regulators are already cooperating across the West, why do we need the Pathways Initiative?**

Studies over the last few years have consistently shown that a regional organization that offers more services that coordinate electric operations and development over the largest footprint possible is necessary to maximize economic, reliability, and climate benefits. Building on the success of the Western Energy Imbalance Market, many western entities are pursuing additional market options like an Enhanced Day Ahead Market (EDAM) and potentially a Regional Transmission Organization (RTO). An EDAM matches the lowest cost electric generation available across the west to meet consumer energy needs. An RTO acts as an air traffic controller for the grid, matching load and demand across the transmission system in the most efficient and cost-effective manner.

The Pathways Initiative is focused on how to fairly govern a large and diverse West-wide electric market. The current WEIM is ultimately governed by the California Independent System Operator (CAISO). As the future market mechanisms grow, many participants and states perceive a political barrier to allocating their transmission assets to an entity that is politically appointed in a single state. The Pathways Initiative is developing options to create an independently governed entity that will enable every willing participant in the West to join in a broad array of market services with the largest geographical footprint.

### **Is California legislation required to initiate this concept? What legal and logistical steps would need to be taken to transfer CAISO market services to the new entity?**

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To understand the more complex market functions, the Launch Committee retained a leading law firm to develop the legal and logistical steps needed to develop a full suite of independently governed western energy market options. In addition to the legal analysis, the Launch Committee consists of a diverse and experienced group of stakeholders who are evaluating the operational details of various market options. Importantly, the Launch Committee is consistently seeking input from stakeholders to evaluate the need for, content of, and the timing of any potential legislative effort, if any, which will be undertaken by organizations and stakeholders other than the Launch Committee.

### **What are the timeline and the next steps for the Pathways Initiative?**

The Launch Committee released a first set of potential organizational structure options and proposed evaluation criteria on December 15, 2023 for public input. The initial public comment period closed on January 12, 2024 and the Launch Committee is reviewing the stakeholder feedback to further refine the options and criteria. The legal analysis is underway and expected to provide initial conclusions by the end of Q1, 2024. Based on the review of public input, legal analysis, and operational review, the Committee will develop a more refined option and seek further public input. The general goal is to produce a more concrete proposal before the summer of 2024.

### **Who will decide if my local utility should or can participate in these new markets?**

Each utility will make its own decisions along with their regulators, boards and stakeholders about participating in each market option. Because each state sets its own energy policy, the level and kind of approvals required for each utility will vary from one state to another. For investor-owned utilities, that typically is a state utility commission. For publicly-owned utilities, that typically is the utility board of directors or a municipal government. Some utilities have specific obligations, like regulated utilities in Colorado and Nevada who are statutorily required to join an RTO by 2030. Other participants, like independent energy service providers or major energy consumers, will make their own decisions. Every participant who joins will adhere to the governance rules and processes established by the new entity. The market-wide rules and processes are approved by the Federal Energy Regulatory Commission (FERC).

### **How can I follow the progress of this initiative and participate in it?**

The Launch Committee posts public-facing materials here:

<https://www.westernenergyboard.org/wwgpi/>

The Launch Committee is always seeking input. You can send an email to

[Comments@WestWidePathwaysInitiative.org](mailto:Comments@WestWidePathwaysInitiative.org).

The Launch Committee hosts virtual public meetings on the third Friday of each month. You can find material from prior meetings and information on upcoming meetings here:

<https://www.westernenergyboard.org/wwgpi/>

You can get in touch with your sector representatives, listed here:

[https://www.westernenergyboard.org/wp-content/uploads/Pathways-Initiative-Launch-Committee-Roster\\_Nov-17-2023.pdf](https://www.westernenergyboard.org/wp-content/uploads/Pathways-Initiative-Launch-Committee-Roster_Nov-17-2023.pdf)

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