

# West-Wide Governance Pathways Initiative

**Monthly Stakeholder Meeting**  
**November 22, 2024**



**West-Wide Governance Pathways Initiative**

# Agenda

- Welcome and agenda review
- Opening remarks from Regulators
- Opening remarks from Launch Committee
- Review of Final Step 2 Proposal
- Stakeholder questions, reactions, and public comment
- Launch Committee Vote
- Next Steps
  - Formation Committee
  - Legislation
  - Continued opportunities for stakeholder engagement



# Opening Remarks



# Review of Final Step 2 Proposal





# 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.



# 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



# 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*





# Independence of the Regional Organization

## Regional Organization

### Independent Board

#### **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

#### **Organizational:**

- Independent RO Board
- Ultimate authority over market-related BPMs
- Separate & independent legal entity
- Regular evaluations of CAISO contract performance
- Independent Market Monitor joint reporting structure
- Ability to add voluntary market services for Western entities who request them

#### **Stakeholder Process & Public Interest:**

- RO led, market operator supported stakeholder process
- Body of State Regulators
- Independent Consumer Advocate Organization
- RO Office of Public Participation
- RO Market Expert expanded scope to include public interest



# Changes to Final Proposal

- **General**

- Stakeholder feedback incorporated through body of document
- Clarified CAISO is not a market participant
  - It has no assets in the market, does not engage in market transactions, and does not have any financial interest in market outcomes
- Most references made to “RO staff” in the Draft Proposal have been changed to “staff”
  - The Formation Committee will work with the market operator to determine RO and MO staffing roles and responsibilities
- Emphasized implementing the Proposal will require a culture shift from stakeholders



# Changes to Final Proposal

- **RO Scope and Function**

- Added specification for feasibility analysis (see Appendix with list of topics to evaluate)
- Clarified corporate protection language
- Updated financial liability section
  - Evaluation of the needed contingency reserves for Option 2.0
  - RO budget will be recovered through the tariff which CAISO will collect and remit to the RO
- Clarified RO input in CAISO management hires
- Added CAISO's intent to explore increased separation between its balancing authority and market operator functions
- Moved Decisional Classification language to Stakeholder Process
- Added recommendation that Formation Committee work with CAISO to explore ways to provide more clarity in tariff that can be proposed to the RO Board once it is seated



# Changes to Final Proposal

- **RO Governance**

- Added detail regarding Formation Committee role; emphasis on continued opportunities for stakeholder engagement
- Added sectors to Nominating Committee membership (SRC sectors)
- Emphasized need to retain sufficient members of the current WEM Governing Body to ensure adequate level of knowledge transfer to new RO Board
- Clarified data gathering role of Public Policy Committee (PPC) with outreach performed at start of initiative and again before Board approval
- Added progress and status reporting and long-term funding sections





# Changes to Final Proposal

- **Public Interest**

- Moved BOSR funding under tariff with caveat that POU's/non-jurisdictional entities will not be subject to these costs
- Added clarification and information regarding DMM recommendations, including FERC Order 719 compliance
- Clarified that state commissions and consumer advocates will have access to at least the same amount of data and analysis as the California agencies and the California Public Advocates Office receive today. There should be no restrictions on the provision of information other than those imposed by FERC requirements
- Expanded Market Expert role to include evaluation that the market is operating consistently with public interest principles and the protection of retail consumers



# Changes to Final Proposal

- **Stakeholder Engagement**
  - Clarified role of SRC and added language about public, open meeting requirements
  - Added SRC Chair and Vice-Chair roles
  - Revised sector seats (additional seats for WEIM, EDAM, Consumer Advocate, PIO, and Large C&I Customer sectors)
  - Clarified that all sectors must have an “active interest” within the WEIM and/or EDAM footprint for participation
  - Changed “Transmission Dependent Utilities” to “Non-IOU load serving entities serving load from WEIM or EDAM”
  - Clarified role of entities participating through a formal organization and trade association participation
  - Added category for “other load serving non-market participants” to be included in voting data. Clarified ways non-market participants can participate in the stakeholder process



# Changes to Final Proposal

- **Stakeholder Engagement (Cont.)**
  - Added language about CAISO participation acting in the BAA Operator role as a stakeholder
  - Added re-evaluation of sectors, SRC structure, voting, and overall stakeholder process at 1. implementation and 2. two years after market operations. Included suggested list of areas/topics for re-evaluation.
  - Clarified State and Local Policy Initiatives process, Public Policy Committee role, and “adverse effects”
  - Added Decisional Classification to Stakeholder Process and legal review of proposed classification determination



# Changes to Final Proposal

- **Stakeholder Engagement (Cont.)**
  - Determined that developing a remand process to ensure voting has a meaningful impact on the decision-making process would benefit from additional stakeholder input. The Formation Committee will work with the Stakeholder Process Work Group and stakeholders to develop the remand process when “significant opposition” exists
  - Added staffing section with suggested roles and responsibilities
  - Added language that the RO and CAISO staff will closely collaborate during prioritization throughout the Catalog and Roadmap process so both entities can understand each other’s bandwidth to get a realistic idea of what is feasible
  - Added additional areas for data tabulation





# Stakeholder Questions, Reactions, and Public Comment



The background of the slide is a grayscale aerial photograph of a river delta, showing intricate patterns of water channels and land. A solid yellow vertical bar runs along the left edge. In the bottom right corner, there is a yellow logo consisting of two upward-pointing triangles.

# Launch Committee Step 2 Proposal Vote

# Next Steps





# Formation Committee

- This sets the stage for further develop and **implementation** of Step 2, in coordination with the CAISO, WEM Governing Body, and stakeholders
- The Launch Committee will delegate implementation to the Formation Committee and oversee the activities required to advance this process
- The Formation Committee will focus its work in three stages:
  - Preparation activities prior to California legislation enactment,
  - Implementation activities after California legislation enactment/before seating RO Board, and
  - Implementation activities after California legislation enactment and after seating RO Board
- A sub-committee of the Launch Committee consisting of up to 10 members, representing a diversity of sectors, and
  - Assisted by a less than quorum of the WEM Governing Body and CAISO Board of Governors serving as liaisons
  - BOSR or state regulator representative





# Legislation

- The California legislative process will commence in early 2025, with February 21 scheduled as the last day for bills to be introduced
- While the Launch Committee's charter does not permit its engagement in legislative advocacy, several California stakeholders – including past opponents of regionalization efforts – will be engaged
- Successful legislation would be designed to authorize the CAISO and California IOUs to participate in energy markets managed by the new RO, rather than the CAISO, but will not control RO formation or participation by other entities (including California POUs) in those markets
- The Legislature could enact a bill at any time during the legislative session but not later than September 12, 2025



# Continued Stakeholder Engagement Opportunities

- The Formation Committee will actively seek public comment on its activities as part of its periodic updates facilitated through the Launch Committee processes through public meetings.
- Meeting cadence and schedule is being developed and will be communicated out to stakeholders in January
- The Formation Committee will also seek additional opportunities for stakeholder feedback, input, and engagement where appropriate, and may utilize work groups on topics that would benefit from broader engagement, similar to the Phase 2 work groups.
- Public meetings will continue to be recorded and materials will continue to be housed on the WIEB landing page.
- The Launch Committee can continue to be reached via [pathways@westwidepathwaysinitiative.org](mailto:pathways@westwidepathwaysinitiative.org) and all comments can be directed to [comments@westwidepathwaysinitiative.org](mailto:comments@westwidepathwaysinitiative.org).





# Thank You



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