

West-Wide Governance Pathways Initiative

Stakeholder Meeting

April 19, 2024



West-Wide Governance Pathways Initiative

Agenda

- Welcome and agenda preview
- Overview of Pathways Initiative
- What we've done so far
- Regulator reactions
- Legal Analysis
- Overview of Step 1
- Overview of Step 2
- What's different about this effort
- Legislative considerations
- Questions
- Ask of stakeholders
- Wrap up and final questions



An aerial photograph of a river meandering through a rugged, mountainous terrain. The river is dark and winding, contrasting with the lighter, rocky slopes. The overall image has a muted, greyish-blue color palette, with a solid yellow vertical bar on the left side.

Overview of Pathways Initiative



July 2023 Regulator Letter

Vision: “[E]nsuring that the benefits of wholesale electricity markets are maximized for customers across the entire Western U.S.”

- Includes all states in the Western Interconnection, including California, with independent governance
- A separate non-profit entity governed independently by representation from across the West
- Could provide a full range of regional transmission operator services
- Uses a contract for services with the CAISO, including assumption of the EDAM and EIM
- Avoid duplication of the investments and expenses of the market infrastructure that has already been created
- Avoid a deterioration of the benefits



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 proposed Extended Day Ahead Market (EDAM) that has been submitted to FERC;
- 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.



What the Pathways Initiative Is and Is Not

The Pathways Initiative is:

- Focused on governance
- Proposing incremental steps
- Stakeholder driven
- Funded by a diverse set of stakeholders
- Committed to the vision of the regulators in the July 2023 letter

The Pathways Initiative is NOT:

- Working on market design
- Doing any lobbying
- Exclusive



Pathways Initiative Priorities

- I. Funding Update and Activities
 - A. DOE Funding
 - B. Stakeholder Funding
 - C. Future opportunities
- II. Upcoming Activities and Efforts
 - A. Cost Evaluation Effort
 - B. Legal Analysis Effort
- III. Stakeholder Process & States Committee Engagement



The background of the slide is a grayscale aerial photograph of a river delta, showing intricate patterns of water 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.

What We've Done So Far



Working Groups

Priority Administration

Budget

Contract with Global Impact

Secured Project Management Support

Fundraising

Priority Functions and Scope

Initial Options

Evaluation Criteria

Legal Analysis

Phase 1 Straw Proposal

Timeline

Communications and Outreach

Sector Updates

Stakeholder Comments

FAQs

Talking Points

Stakeholder Materials



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.*



Public Interest Criteria

The WEIM Charter would be updated to embed in its responsibilities and mandate the principle of respect for the public interest and for individual state policies, for all customers in the footprint. Regulators and public advocate representatives have proposed language for the Charter that the Launch Committee supports, which is provided in redline in Appendix E.



Focusing the work

- Narrowing of options to focus on the most viable options that align with the Evaluation Criteria
- Hired Perkins Coie to conduct legal analysis
- Meetings with FERC and CAISO staff
- Several full day in person and virtual Launch Committee meetings
 - December - Sacramento
 - February - virtual
 - March - Phoenix



Regulator Reactions



Pathways Initiative Proposal



Legal Analysis



Legal Question

What are the relative risks under *existing law* of the six governance options developed by the Launch Committee?

California Law

PU Code § 345.5
Corp Code § 5210

FERC Precedent

ISOs/RTOs



EXHIBIT A

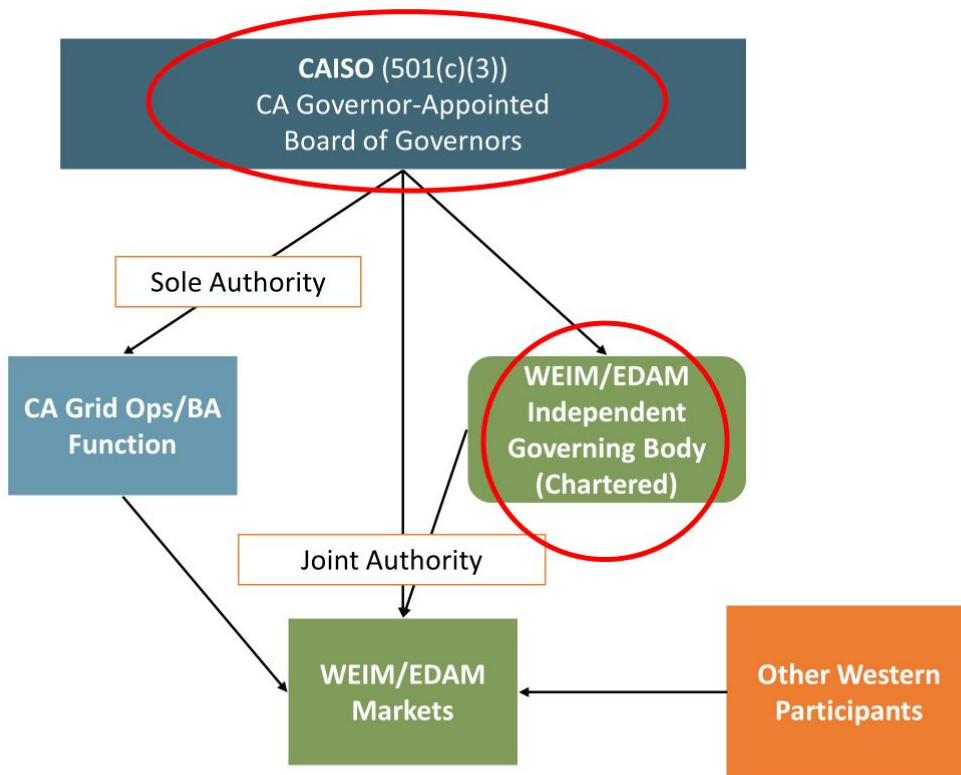
Option Comparison Table

	Status Quo	Option 0	Option 0.5	Option 1	Option 2	Option 2.5	Option 3	Option 4
New Corporate Entity	No	No	No	Yes (RO)	Yes (RO)	Yes (RO)	Yes (RO)	Yes (RO)
Market Rules Governance	Joint	EIM Primary	EIM Sole	RO Primary	RO Sole	RO Sole	RO Sole	RO Sole
CAISO Veto Rights (Market Rules)	Yes (sole filer; Exigent Circumstances)	Time-Critical Exigent Circumstances	Time-Critical Exigent Circumstances	Time-Critical Exigent Circumstances	No	No	No	No
205 Filing Legal Rights	CAISO	CAISO	CAISO	CAISO	RO Sole	RO Sole	RO Sole	RO Sole
Vesting of Authority	Delegation	Delegation	Delegation	Delegation	Delegation or Transfer	Transfer	Transfer	Transfer
Dispute Resolution Outcome	Single CAISO filing	CAISO files both EIM GB and Board proposals	CAISO files EIM GB proposal	CAISO files both EIM GB and Board proposals	N/A	N/A	N/A	N/A
Market Tariff Administration	CAISO	CAISO	CAISO	CAISO	CAISO	CAISO	RO Sole	RO Sole
Market Operation	CAISO	CAISO	CAISO	CAISO	CAISO	CAISO	CAISO	RO Sole
CAISO/RO Relationship	Tariffed	Tariffed	Tariffed	Tariff / Market Services Agreement	Tariff / Market Services Agreement	Tariff / Market Operating Agreement	Market Operating Agreement	None
CA Legal Risk								
FERC Legal Risk								



Step 1





Existing Market Governance

WEIM/EDAM Governing Body Shares "Joint Authority" with CAISO Over Existing Market Design

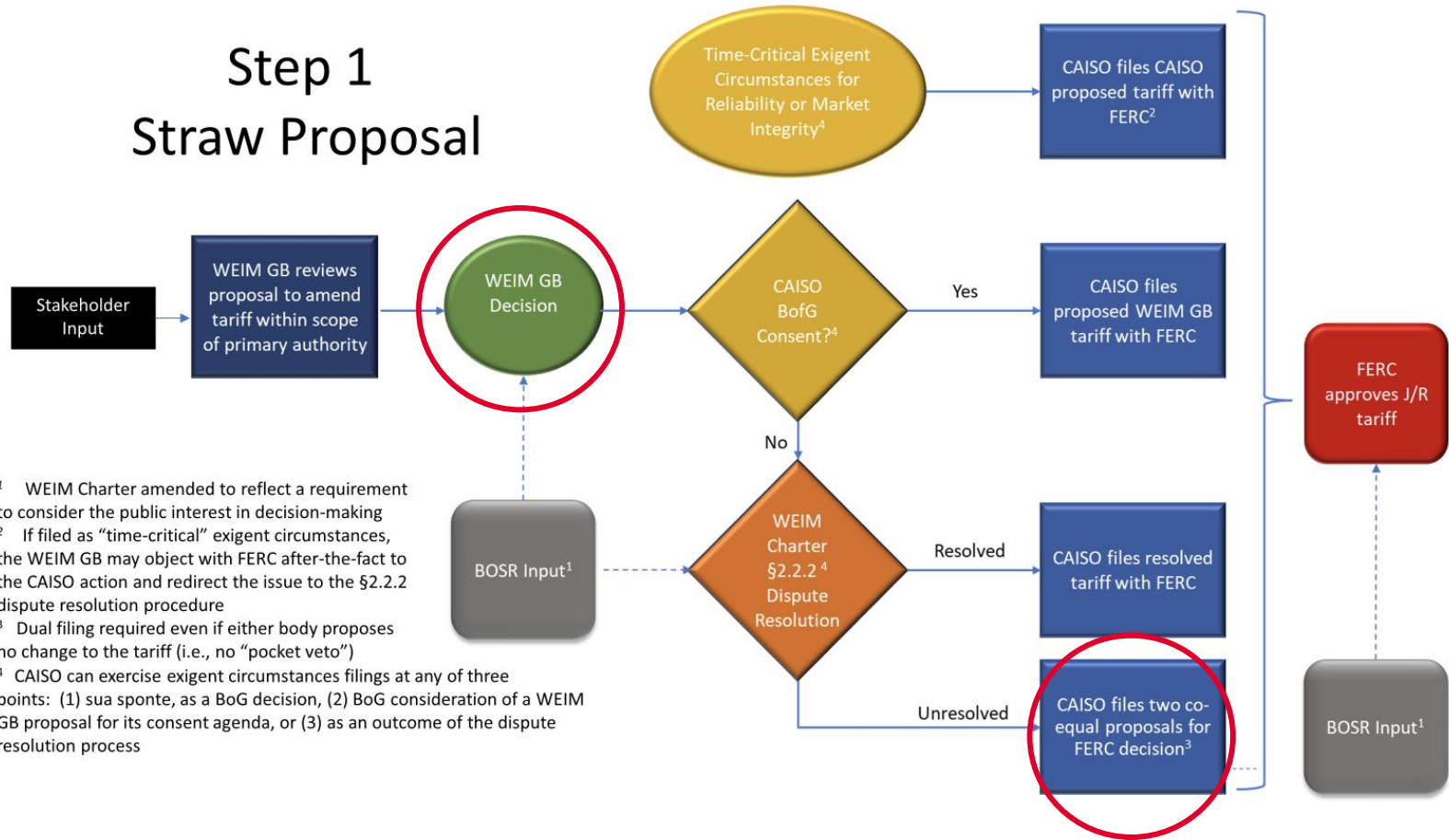


Pathways Initiative

Stepwise Process

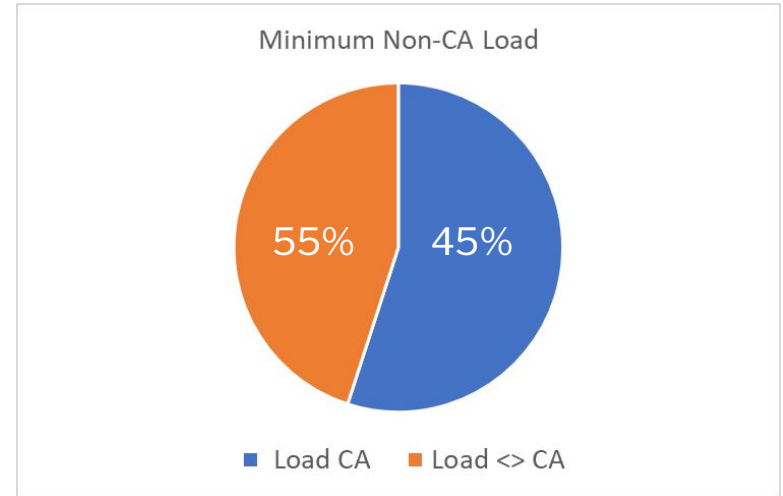


Step 1 Straw Proposal



Step 1 Trigger

“[T]he Step 1 governance transition would be triggered when a set of geographically diverse non-CAISO WEIM Entities equal to or greater than 70% of the CAISO balancing authority area annual load for 2022 have executed EDAM implementation agreements.”



Step 2



Step 2 Proposal

Four key elements:

- 1) Creation of a Regional Organization (RO)
- 2) Passage of enabling legislation
- 3) Transition of decision-making over WEIM/EDAM to the RO's Sole Authority within the same integrated tariff
- 4) Creation of pathways for services beyond WEIM/EDAM with the RO as the governing and possibly host entity



Element #1: Regional Organization creation

- Non-profit corporation
- Independent board
 - Nominating committee precedents
- Anticipated organizational size
- Open issues:
 - Funding structure
 - WEIM Governing Body transition
 - BOSR evolution
 - Stakeholder processes



Element #2: Enabling legislation passage

General outcomes:

- Narrowing the scope of CAISO corporate responsibility
- Allowing a transfer of some existing management responsibility
- Retaining the Balancing Authority function responsibility



Element #3: RO Sole Authority transition

Transition decision-making over WEIM/EDAM matters from the “Primary Authority” of the WEIM Governing Body in Step 1 to the RO’s “Sole Authority” within the same integrated tariff.

Key topics:

- Significance of Sole Authority
- Scope of Sole Authority: *further evaluation*
- Corporate protections
- Modification of CAISO bylaws and tariff
- Single integrated tariff



Element #3 continued

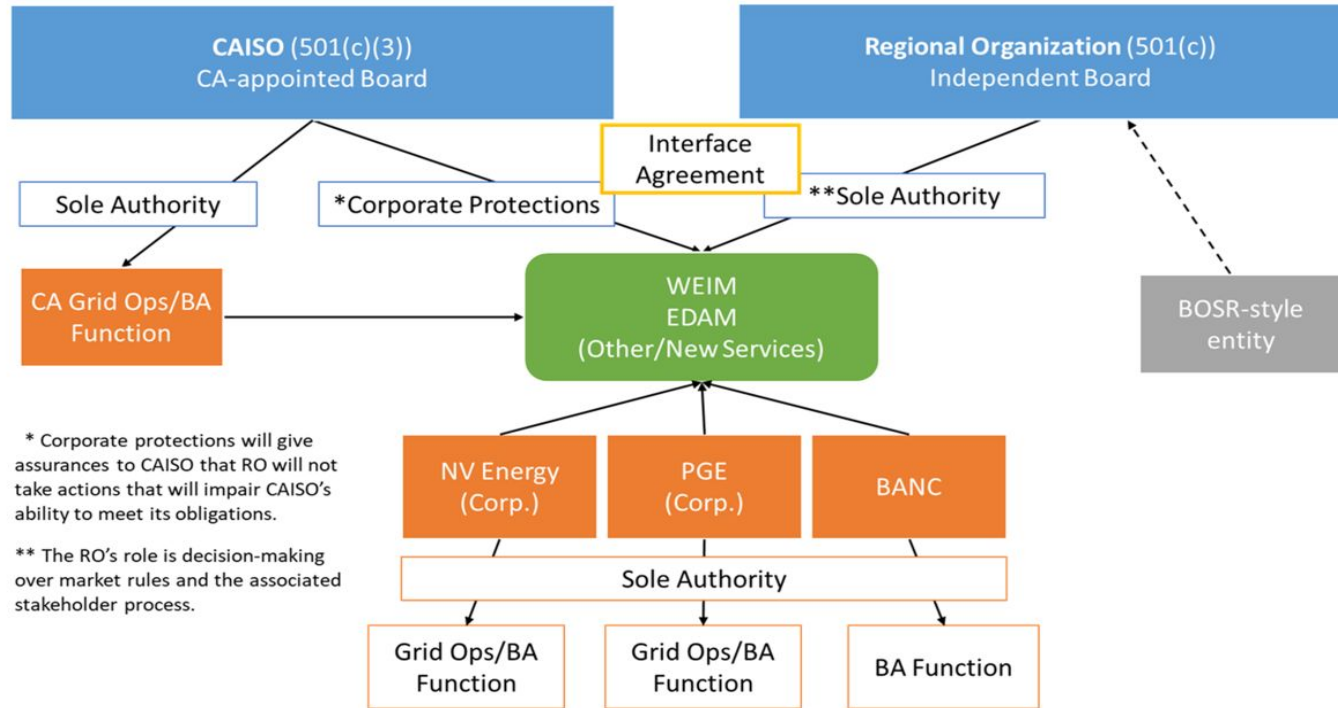
Primary Step 2 open issues:

- Option 2 versus Option 2.5:
 - *Governance* versus *institutional* independence
 - Contractual relationship between RO and CAISO
- Three related areas requiring further evaluation:
 - Financial liability
 - Organizational staffing
 - Effect on existing contracts



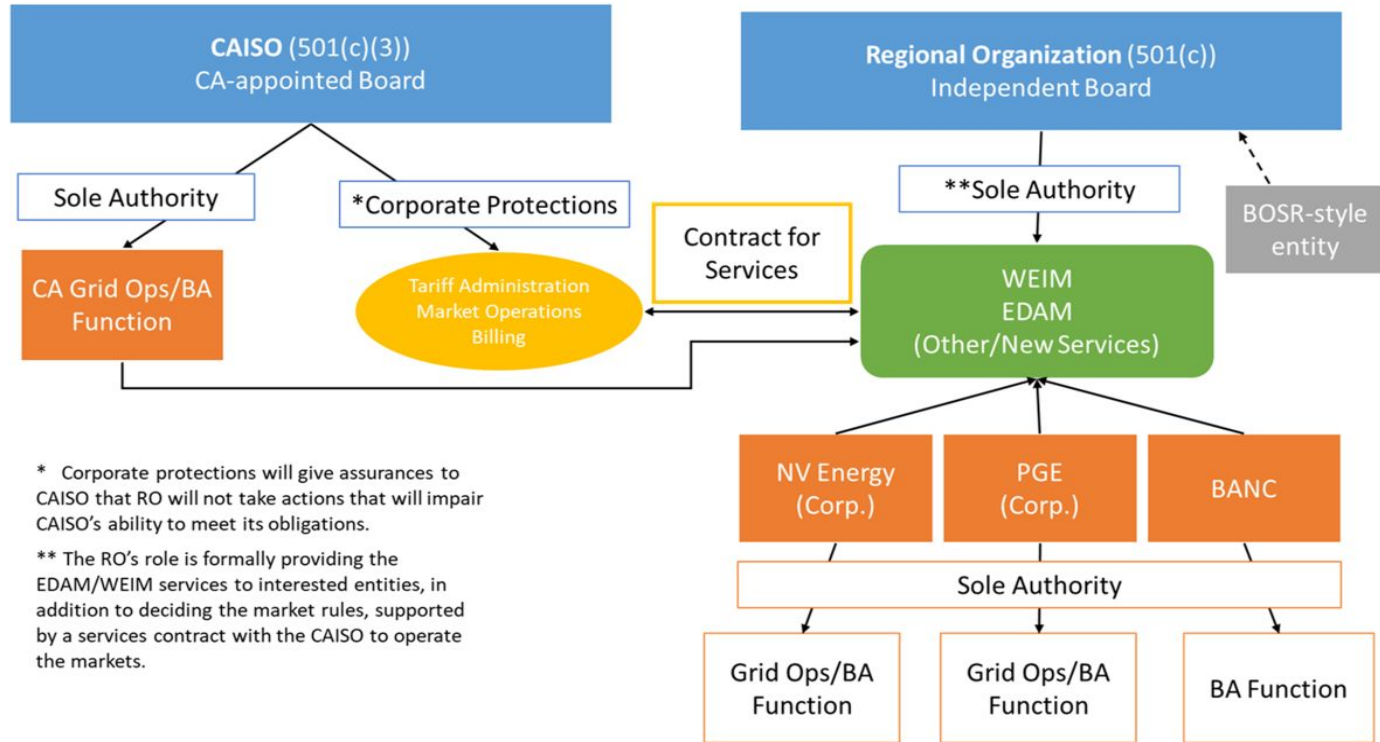
STEP 2/Option 2.0

New RO with “Sole” Authority Over Market Governance



STEP 2/Option 2.5

New RO with “Sole” Authority Over Market Governance & Operations



Element #4: Services beyond WEIM/EDAM

Creating various new pathways for West-wide services beyond WEIM/EDAM using the RO as a governing entity and potentially a host entity for those services.

Key points:

- “RTO-capable”
- At least 7 ways to transition to RO authority
- Services reviewed:
 - *Additional market services: ancillary services, convergence bidding, congestion revenue rights*
 - *Reliability Coordination*
 - *Transmission control*
 - *Balancing Authority services*
 - *Resource adequacy provisions*

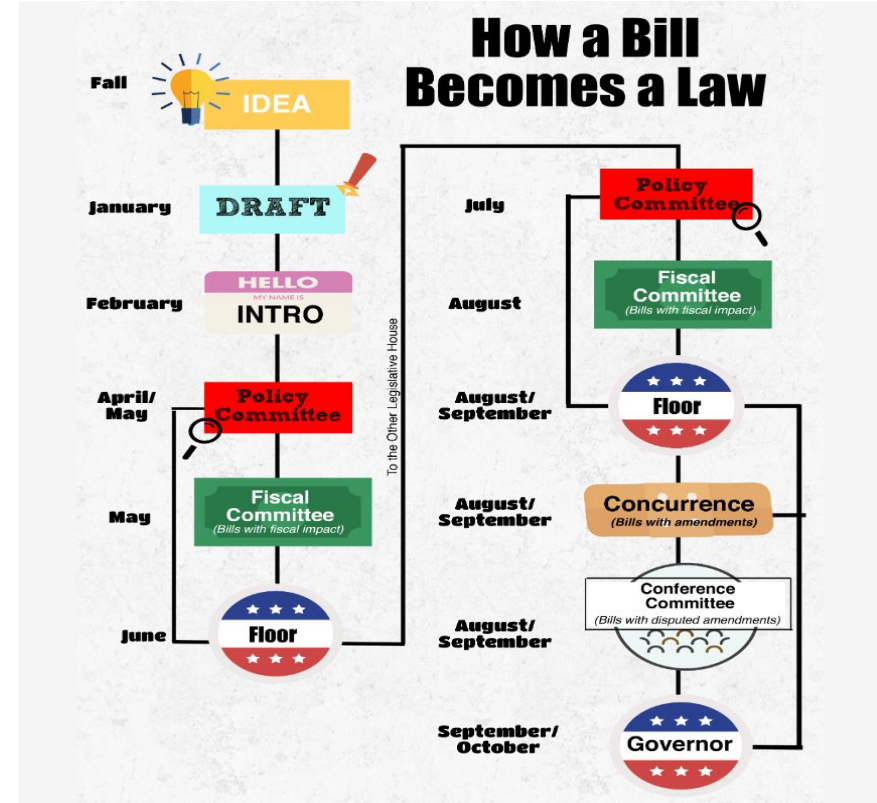


What is Different About this Effort?



Legislative Considerations and Process

- CA Legislature informational sessions - current and future
- 2025 CA Legislative process



Questions?



Next Steps

- **Public comment period closes: May 8**
 - **Incorporate feedback and refine proposals**
- **Step 1 implementation: June - Sept.**
- **Step 2 final recommendation: August/Sept.**
- **RO Initiation: Sept. - Jan.**
- **CA legislative engagement (ongoing): 2025 legislative session**



Request of Stakeholders

The Launch Committee would greatly value input on the following:

- Step 1: Any concerns for Step 1 as proposed?
- Step 2 (Governance Independence): Does this level of independence pose any challenges for your organization or the region?
- Step 2 (Institutional Independence): Same question
- Unexplored or new options: Structural ideas with as much detail as possible.
- Other considerations?



Public Comments

Please email comments to:

comments@westwidepathwaysinitiative.org

Comments are due May 8, 2024





Thank You.



West-Wide Governance Pathways Initiative