

West-Wide Governance Pathways Initiative

Monthly Stakeholder Meeting
October 4, 2024



West-Wide Governance Pathways Initiative

Agenda

- Welcome and agenda review
- Launch Committee opening remarks
- Background
- Review elements of the Step 2 Draft Proposal:
 - Regional Organization Scope and Function
 - Regional Organization Formation
 - Regional Organization Governance
 - Public Interest
 - Stakeholder Process
- Stakeholder reactions and public comment
- Timeline for Step 2

An aerial photograph of a river winding through a mountainous, forested landscape. The river is dark and contrasts with the lighter, textured terrain. The image is used as a background for the slide.

Launch Committee Opening Remarks

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

Step 2 Draft Proposal

Pathways Expands Regional Coordination in Energy Markets But Leaves Other CAISO Functions Untouched



Elements of Independence

Regional Organization

Elements of Independence

Independent Board

Organizational:

- Independent RO Board
- Sole authority over BPMs
- Separate & independent legal entity
- Regular evaluations of CAISO contract performance
- Joint Reporting from Independent Market Monitor
- Ability to add voluntary market services for Western entities who request them

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
- Advisory role in selection of CAISO CEO and management level staff

Stakeholder Process & Public Interest:

- RO led, CAISO supported stakeholder process
 - Body of State Regulators
- Independent Consumer Advocate Organization
 - RO Office of Public Participation

Structural Recommendations

- RO Launch: Option 2.0
 - Policy-setting organization for the establishment and oversight of market rules for the WEIM and EDAM
- Over time, consider transition to Option 2.5
 - Feasibility study by the RO Board and stakeholders to assess costs, benefits, possible expanded market functions, and implementation details
 - Determine future structure needs to enable continued evolution
- Long-term Vision: The RO will be able to offer, on a **voluntary** basis, any additional services desired by Western stakeholders.
 - While some utilities may not have the regulatory authority at the outset to participate in this broader menu of services, opportunities exist to gain many of the benefits of broad participation in the RO services through co-optimization of the RO's new services under a vendor contract with the CAISO.

RO Scope and Function

Under Option 2.0

- RO full governance authority over WEIM/EDAM market rules, with sole Section 205 rights
- Single integrated tariff, with process to organize CAISO tariff into sole RO, sole CAISO, or shared authority
- Market operations continue to be performed and overseen by the CAISO
- CAISO will remain the counterparty to existing market contracts
- CAISO staff will retain emergency operational authority
- Initial estimated annual cost of \$1.25 to \$1.5 million, increasing to \$10 to \$14 million as organization develops.

RO Scope and Function

Under Option 2.5

- RO full governance authority over WEIM/EDAM market rules with ultimate responsibility for operation of the market; sole Section 205 rights
- Possible separation of the RO tariff from CAISO tariff
- CAISO's financial responsibility, liability, and compliance shifts to the RO
- CAISO continues market operation under a vendor contract with the RO
- RO will likely become a public utility
- RO will likely become counterparty to existing CAISO market contracts
- Estimated annual cost of \$25 million- RO will have more extensive staffing

RO Formation

- 501(c)(3) nonprofit corporation
 - Tax exempt status to lower costs and the ability to utilize tax-exempt financing for long term debt.
 - Operates for the public benefit and is prohibited from lobbying and engaging in political activities.
- Incorporated in Delaware
 - Well-developed body of corporate law, knowledgeable judges, and permissive rather than prescriptive corporate formation and operation.
- Principal Place of Business - TBD by RO Board
 - Strong consideration to Folsom, CA to capitalize on the benefits of locating near the Market Operator.
 - Board meetings would rotate among the market-participating states

RO Governance

- Independent seven-member Board that exercises sole authority over the WEIM and the EDAM
- No reserved seats, no restriction on the number of current WEM Governing Body members serving on RO Board - interested members will move directly to Nomination Process
- RO Board Public Policy Committee
- Open process for meetings/decision making
- RO Board and CAISO Board have collaborative relationship; joint meetings for joint authority matters, each Board meets separately for sole authority issues

Setting up the RO

- RO Formation Committee
 - Subcommittee of Launch Committee
 - Pre-launch implementation efforts concurrent with CA legislative session
 - Articles of Incorporation
 - Board and staff job descriptions
 - Begin drafting tariff language
 - Creation of RO Board Nominating Committee
 - Transition plans for WEM Governing Body, stakeholder process
 - Initiation of Formation efforts after CA legislation is approved
- Startup funding for the RO likely to be required before market supported funding is available - consider appropriate funding sources

Defining the Public Interest

Two intertwined components:

- 1) How customer interests, including affordability and reliability, are safeguarded in non-discriminatory market design and operations; and
- 2) How state and local policies, even as they differ across the West, are respected in market design.

These served as the focus and definition of “public interest” for the Launch Committee and were used to ensure that the Step 2 proposal incorporates public interest protections holistically across the new RO’s structure and processes.

Tools to Enhance Public Interest Protections

<u>Category</u>	<u>Recommended Tools</u>
RO Structure and Board	<ul style="list-style-type: none">• RO Articles of Incorporation, bylaws, policies and procedures (collectively “Corporate Documents”)• 501(c)(3) status• Board Member qualifications• Transparent decision-making processes including open meetings and responses to stakeholder comments, and regular meetings with the BOSR• Corporate obligation to respect state authority to set procurement, environmental, reliability, and other public interest policies• Public Policy Committee of the RO Board to engage with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies before final board adoption of a tariff change or initiative through the stakeholder process
RO BOSR	<ul style="list-style-type: none">• Extend the existing BOSR functions to the RO• Maintain current self-governing and decision-making structures• Maintain current membership• Maintain role of advisory Public Power and PMA liaisons• At the outset of the RO the current BOSR funding arrangement will remain with the exploration of future triggers to consider whether the structures and the market have evolved to support modest funding into the tariff

Tools to Enhance Public Interest Protections

Category	Recommended Tools
Consumer Advocate Engagement	<ul style="list-style-type: none"> • Create a new independent Consumer Advocate Organization (CAO) to facilitate engagement by each consumer advocate office authorized by state law in the stakeholder process and other RO engagement opportunities • Include modest tariff-based funding to facilitate their participation
Office of Public Participation	<ul style="list-style-type: none"> • Create a new Office of Public Participation (OPP) within the RO to provide information and education to members of the public about issues and initiatives at the RO, including facilitating engagement in those processes
Independent Market Monitor	<ul style="list-style-type: none"> • Create a joint reporting structure for the Department of Market Monitoring to both the CAISO Board and the RO Board • Equal number of RO Board and CAISO Board representatives on Department of Market Monitoring Oversight Committee • Expand the criteria for selecting Market Surveillance Committee members to include consumer issues and public interest expertise • Transfer the WEM Governing Body Market Expert to the RO Board • Some functions will be shared between RO and CAISO; RO Board will work with CAISO to define reporting and delineate roles and responsibilities
Stakeholder Process	<ul style="list-style-type: none"> • Enhance opportunities for tracking and reporting stakeholder sentiments/preferences throughout the process • Create a new initiative issue category: “compliance with state and local public policy”

Elements of the Stakeholder Process

- Stakeholder Representatives Committee (SRC)
- SRC Sectors and Voting
- Classification of Stakeholder Initiatives
- Stakeholder Process:
 1. Issue Identification and Prioritization
 2. Stakeholder Phase:
 - Stage 1 – Issue Evaluation
 - Stage 2 – Policy Development
 3. Approval by the RO Board
- Voting

SRC Role, Responsibilities, and Expectations

Role: provide advice, input, facilitate and support the participation of stakeholders in the stakeholder process, both individually and at the sector level.

Responsibilities: primarily responsible for delineating any guidelines and procedures for the conduct of SRC activities in the RO stakeholder initiative process.

Expectations: commitment to supporting and facilitating the participation of the stakeholder community even if a given stakeholder's perspective or position does not necessarily align with the position of the SRC representative, the position of the representative's company, or the position of the representative's sector. *Expected participation in at least 80% of the meetings.*

Stakeholder Representatives Committee (SRC)



1- ISSUE IDENTIFICATION AND PRIORITIZATION

2- STAKEHOLDER INITIATIVE PHASE

3- RO APPROVAL

Annual Catalog Proposals:

Compliance/Non-Discretionary Initiatives (RO Identifies)

Catalog problem statement moves to Stage Two*

* For minor corrections or adjustments, RO staff may forgo a full stakeholder process,.

Compliance with State and Local Public Policy Initiatives (Any Stakeholder Raises)

Could move to Stage One or Two

Discretionary Initiatives (Any Stakeholder Raises)

Stage One: Issue Evaluation

- SRC identifies sponsors to work with all stakeholders
- Working groups form around catalog issues
- Initial initiative idea becomes discrete problem statement

Refined problem statement moves to Stage Two

Stage Two: Policy Development

- Small ad hoc working groups develop under SRC oversight
- SRC may develop standing committees
- Work group helps RO staff weigh stakeholder input
- Problem statement becomes final proposal, after at least one stakeholder meeting and comment period
- RO staff develops the final proposal and SRC votes before it moves to the RO Board.

Final Proposal Moves to RO Board

Voting

- Advisory voting at the individual entity level
- Voting will occur periodically:
 - Policy Roadmap process (approval of final Roadmap)
 - Various points during work group and initiative phases (problem statement/scope definition, straw proposal/revised straw proposal, final proposal)
- Remand process: if “significant opposition” exists, stakeholders will rework a proposal to address concerns and to achieve broader support
 - Would apply to final proposals prior to an initiative being sent to the RO Board
- Tabulated reporting of all underlying votes available to the RO Board and the public (geography, sector, line of business, supply and load, etc.)

An aerial photograph of a winding river, likely the Grand Canyon of the Yellowstone, flowing through a rugged, mountainous landscape. The river is a dark, winding line that cuts through the lighter, rocky terrain. The mountains are steep and rocky, with some snow or light-colored rock patches. The overall scene is dramatic and scenic.

Stakeholder Reactions and Public Comment

An aerial photograph of a river meandering through a mountainous region. The river is dark and contrasts with the lighter, rocky terrain. The mountains have a textured, craggy appearance. The text 'Timeline for Step 2' is overlaid in the center in a blue, sans-serif font.

Timeline for Step 2

Timeline for Step 2

- **Sept 26:** Issue Step 2 Draft Proposal (open comment period 4 weeks)
- **Oct 4:** Monthly Stakeholder Meeting (review Step 2 Draft Proposal)
- **Oct. 7:** Sector Workshop
- **Oct. 14:** New Sector Proposal Released
- **Oct. 25:** Step 2 and Sector Comments Due
- **Oct 28-Nov 14:** Incorporate stakeholder feedback and make revisions to Step 2 Final Proposal
- **Nov 15:** Issue Step 2 Final Proposal
- **Nov 22:** Monthly Stakeholder Meeting (review Step 2 Final Proposal and vote)

Public Comments

- We need your feedback! There will be a 4-week open comment period, with comments due on 10/25/24.
- Written comments can be submitted to:
Comments@WestWidePathwaysInitiative.org
- Please use the Stakeholder Comment Template for this workshop posted on the WIEB landing page: [WWGPI - Western Interstate Energy Board \(westernenergyboard.org\)](https://www.westernenergyboard.org/wwgpi)



Thank You



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