

## Launch Committee Step 2 Draft Proposal: Revised Sector Proposal

The Launch Committee is pleased to provide this revised sector proposal to supplement the Step 2 Draft Proposal released on September 26 based on written feedback from stakeholders on the Stakeholder Process Discussion Document presented on August 28, as well as feedback and discussion by stakeholders at the October 7 Sector Workshop.

### I. Sector Revisions

	RO Sectors for Stakeholder Voting	Sector-based seats on SRC
1	EDAM Entities	2 seats (increased from 1)
2	WEIM Entities	3 seats (increased from 2)
	<i>[no PMA standalone sector]</i>	*1 additional seat reserved for PMAs in either EDAM or WEIM sector, assuming the PMA is either an WEIM or EDAM Entity
3	ISO PTOs	2 seats
4	Non-IOU load serving entities serving load from WEIM or EDAM.	4 seats (increased from 3, removed reservation for CCA, added restriction below) * if an entity participates collectively through an EDAM entity (e.g. BANC members), they cannot also participate in a different sector as individual entities (i.e., generators or munis)
5	PIOs	1 seat
6	Consumer advocates	1 seat
7	Large C&I customers	1 seat
8	IPPs, independent transmission developers, and marketers	3 seats (removed reservations for IPPs and marketers)
9	Distributed Energy Resources	1 seat
		Total: 19 seats on committee

### A. Sector Definitions:

#### EDAM Entities, as defined in the CAISO Tariff Two SRC Representatives

A Balancing Authority that represents one or more EDAM Transmission Service Providers and that enters into an EDAM Entity Agreement with the CAISO to enable the operation of the Day Ahead and Real-Time Markets in its Balancing Authority Area.

EDAM Entities can be investor-owned utilities, federal power marketing agencies, or publicly owned utilities.

### **WEIM Entities**

#### **Three SRC Representatives**

A Balancing Authority that represents one or more WEIM Transmission Service Providers and that enters into an WEIM Entity Agreement with the CAISO to enable the operation of the Real-Time Market in its Balancing Authority Area.

WEIM Entities can be both investor-owned utilities, federal power marketing agencies, or publicly owned utilities.

**There will be one additional seat in either the EDAM or WEIM Entities sector for a Federal Power Marketing Agency**, assuming the PMA is either an WEIM or EDAM Entity. If there are no PMAs in either the WEIM or EDAM, there will be no PMA seat on the SRC.

### **ISO Participating Transmission Owners**

#### **Two SRC representatives**

A party to the Transmission Control Agreement who has placed its transmission assets and Entitlements under the CAISO's Operational Control in accordance with the Transmission Control Agreement.

ISO Participating Transmission Owners can be investor-owned utilities or publicly owned utilities.

### **Non-IOU load serving entities serving load from WEIM or EDAM**

#### **Four SRC Representatives**

Utilities or load serving entities located within the market footprint that are not included in another sector may include, but are not limited to, public power, municipal utilities, cooperatives, or community choice aggregations.

### **Public Interest Organizations**

#### **One SRC Representative**

Public Interest Organizations are 501(c)(3) organizations that seek to influence market policy in favor of the general public or a broad segment of it, rather than focusing on the interests of its own members and are actively involved in energy issues within the market footprint.

### **Consumer Advocates**

#### **One SRC Representative**

State sanctioned consumer advocates from states with load in the market footprint that represent residential and small commercial end-use utility customers. May include a representative from the Consumer Advocate Organization.

**Large C&I Customers**  
**One SRC Representative**

Large commercial and industrial customers with load in the market footprint. May include trade associations.

**Independent Power Producers, Independent Transmission developers, and Power Marketers**  
**Three SRC Representatives**

Organizations within the market footprint that have generation, transmission or load but are not an electric utility, or organizations that engage in power marketing activities within the WEIM or EDAM footprint. This sector includes Independent Power Producers, Independent Transmission developers, and Power Marketers.

**Distributed Energy Resources**  
**One SRC Representative**

Distributed generation, storage and demand response resources, aggregators, and enabling hardware and software providers that are active within the market footprint. May include trade associations.

**B. Explanation of Sectors & Sector Representatives**

The Launch Committee's recommendations regarding sectors and sector representatives are intended to promote the goals of the SRC and recognize the uniquely diverse stakeholder community that has a vested interest in the RO. It is also intended to ensure robust dialogue and guard against changes to the market that would decrease efficiency, result in any market manipulation practices, and negatively impact benefits to customers.

For several sectors, the Launch Committee recommends the establishment of sectors based on level of market participation, including WEIM Entities, EDAM Entities, and CAISO PTOs. This is consistent with the approach taken today with the RIF. The alternative to this approach would be to establish sectors based on business model (e.g., investor-owned utility, public power utility).

The Launch Committee finds that this approach is more appropriate for the SRC for several reasons.

First, the voluntary, incremental approach to Western market evolution means that market participants will take a diversity of services from the Market Operator, from energy imbalance to full RTO participation. Each service offering has unique perspectives and priorities for market evolution.

Second, we find that it is the service level that provides more commonality among market participants than business model. Many participants in the WEIM today report enhanced value from sharing a sector that has both IOU and public power utilities. This shared approach and

foundation for collaboration have created new, valuable relationships among market participants and an enhanced opportunity to share priorities and lessons learned.

Finally, the goal of the SRC is to promote collaboration and consensus building within the sectors. We find that the commonalities described above are better suited to promoting this outcome than a business model-based approach that might overlook the needs of entities who are taking different market services from the RO.

To balance this functional based approach, we recommend various numbers of sector representatives to ensure that the underlying unique business models are provided with an adequate voice. For example, we recommend three SRC representatives for the WEIM Entity sector as there are 20 participants in the WEIM Entity sector today. The three SRC representatives are intended to provide the flexibility to ensure that both public power and IOUs have representation, as well as enable geographically diverse representation from the Northwest, Desert Southwest, and California. Likewise, we recognize that PMAs have unique market perspectives and enable an additional representative to ensure that this perspective is carried into the SRC.

Finally, we recommend four SRC representatives for the non-investor owned utility load serving entities serving load from WEIM or EDAM to ensure the unique voices of public power, municipal utilities, cooperatives, and community choice aggregations are represented. However, if an entity participates collectively through an EDAM entity (e.g. BANC members), they cannot also participate in a different sector as individual entities (i.e., generators or munis). Likewise, the IPP sector's diverse membership is represented by three SRC reps.

The number of seats in other sectors reflect that the Launch Committee has recommended other resources to enable and enhance participation including the ability to have an alternate, the creation of the Consumer Advocate Office and Office of Public Participation, and the one entity-one vote structure.

We decline to "reserve" or mandate seats for any particular sub-sector or business model. The West has a long history of successful self-organization that has created an appropriate balance of representation among business model, geography, and resource availability.

## **II. Other Recommendations**

### **A. SRC Chair and Vice-Chair**

To help manage the SRC, the Launch Committee recommends creating an SRC Chair and Vice-Chair role. The Chair and Vice-Chair will serve as the primary point of contact with the RO staff and provide administrative leadership for organizing the SRC. These roles will not have any decision making or enhanced authority. The Chair and Vice-Chair roles will rotate on a yearly basis and be selected by the SRC, with each of the nine sectors casting a single vote (for those sectors who have more than one seat, the seated members will work together to determine who casts the vote) for the Chair and Vice-Chair. The Chair and Vice-Chair will be from different sectors.

## **B. Limit SRC participation to “market participants”**

The Launch Committee recommends creating a category (not an SRC sector) for “other load-serving non-market participants” so that people or organizations who do not participate in the WEIM or EDAM and therefore do not fit within one of the designated sectors may register with the RO to vote. The votes will not count toward an SRC recommendation or remand threshold but will be shared with the RO staff and Board for information only. This group of individuals or organizations may participate in the stakeholder process and submit comments that will be included in the package of information that goes to the RO staff and/or Board when appropriate. This is not a sector and therefore does not have direct representation in the prioritization, Roadmap and Catalog process, Stage 1 and 2 of the Stakeholder Initiative Phases, or get counted towards the remand processes. It does enable additional information collection and sharing for this group of stakeholders in the overall process.

## **C. Re-evaluation of sectors and SRC structure**

The Launch Committee recommends formal re-evaluation of sectors and structure at two future points in time: 1. at the RO implementation phase and 2. two years after implementation to ensure this structure is enabling consensus and achieving the goals set out in the proposal which are:

- a. Collaboration
- b. Diversity of opinion and ideas and inclusion of minority opinions
- c. An accessible and efficient process that organizations can effectively participate in
- d. Thorough and diverse input into critical processes for the RO
- e. Manageable and balanced structure

Re-evaluation could include both consolidation of sectors and re-organization of sectors to reflect necessary changes based on meeting the goals. It should also consider whether it successfully prevents sector shopping and astro-turfing, and whether it creates the right balance across sectors for achieving the market goals.

## **D. Nominating Committee for RO Board**

The Nominating Committee for the RO Board has very different roles and responsibilities than the SRC. However, the Launch Committee sees value in having consistent sectors across the RO’s structure and therefore recommends that the Nominating Committee include one representative from each of the nine sectors above, plus a representative from the Body of State Regulators (BOSR) and the RO Board (non-voting). For the Nominating Committee who are making recommendations for the initial RO Board, the RO Board seat would be filled by a Formation Committee member.

## **E. Voting**

Including indicative voting at the individual organization level in the RO Stakeholder Process was important to members of the Stakeholder Process Work Group and the Launch Committee because it provides a way to capture stakeholder sentiment and preference throughout the

stakeholder process and identify areas of potential disagreement earlier in the process. For those who are more used to the CAISO's RIF process where there is no voting, it is an increase in structure that will require some culture change. For those who are more used to SPP's Markets+ process where there is weighted determinative voting, this could potentially feel like a dilution of stakeholder input in the stakeholder process. The Launch Committee believes this is a good middle ground place to start that achieves the NERC principles listed in the original proposal:

- Openness – participation open to all persons;
- Transparency – transparent to the public;
- Consensus building – build and document consensus;
- Fair balance of interests – not dominated by a small number of sectors, and respect for minority positions;
- Due process – reasonable notice and opportunity to participate and to have views considered; and
- Timeliness – getting things done, not bogged down in stalemates<sup>1</sup>

Based on feedback and discussion during the Sector Workshop on October 7, the Launch Committee recommends some changes to the remand process. The remand process is defined to ensure that the stakeholder vote has a meaningful impact on the decision-making process if there are significant barriers to agreement and compromise. Without experience in this overall stakeholder process, it is impossible to know how many organizations will participate in this process in any given sector and therefore whether the remand thresholds we proposed will actually serve the intended purpose. Therefore, at this stage, we recommend removing the automatic remand but still using the “significant opposition” thresholds to trigger additional discussion at the SRC about whether remanding back to the stakeholders would be beneficial to the process and the initiative. The “significant opposition” conditions included in the original proposal are:

- 1) Strong opposition in sectors. Strong opposition is defined as: one third of sectors at 70% or more opposed (percentage refers to the underlying votes in the sector); Or
- 2) Lack of consensus. A simple majority of sectors opposes.

### **III. Public Comments**

The Launch Committee welcomes feedback on this revised sector proposal, including the sectors, seats, and approach. In addition, the Launch Committee welcomes feedback on whether the Stakeholder Process as an entire package achieves the goals of creating a more inclusive and representative process that is also more capable of driving meaningful market evolution. The comment template is available on the WIEB landing page: [WWGPI - Western Interstate Energy Board \(westernenergyboard.org\)](https://www.westernenergyboard.org)

Please submit your comments by the October 25 deadline to [Comments@WestWidePathwaysInitiative.org](mailto:Comments@WestWidePathwaysInitiative.org).

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<sup>1</sup> NERC Rule of Practice 304(1)-(6) (effective November 28, 2023).