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Re: Comments on the Step Two Draft Proposal of the West-Wide Governance Pathways Initiative

Dear Launch Committee Members,

Google appreciates this opportunity to comment on the Step Two Draft Proposal (“proposal”), dated September 26, 2024, and the Revised Sector Proposal, dated October 8, 2024. We commend the hard work and dedication of the Launch Committee Co-Chairs and members, the Working Group Co-Chairs and members, as well as the workshop attendees and commenters, whose contributions led to this robust draft proposal.

Google is a large energy user in the Western Interconnection, and since 2020, we have had a goal to source our energy consumption from carbon-free resources every hour of the year by 2030. We are excited about the potential of the West-Wide Governance Pathways Initiative to lead to the creation of a large-footprint Western regional organization (RO), which would offer significant benefits such as enhanced reliability, improved access to clean energy resources, cost savings for consumers, and greater operational efficiency across the region.

As a prospective member of the Large Commercial and Industrial Customer sector, we generally support the proposal. In particular, we appreciate the opportunities outlined in the proposal that would allow us, alongside other customers and stakeholders, to influence the priorities and decisions of the RO.

We welcome the opportunity to provide these comments to strengthen the proposal and ensure it meets the needs of all stakeholders. Below, we offer our comments, organized according to the topic areas in the comment template.

Cost

While the RO’s focus on cost effectiveness is commended, Google recommends that the Launch Committee continually evaluate budget needs essential for getting to Day 1 operations. For example, legal fees the RO will incur for Federal Energy Regulatory Commission (FERC) filings to establish the organization may alone require a budget of \$2 to \$3 million and the organization will have other expenses including rent and administrative costs.

Chapter-Specific Feedback

Chapter 1: RO Scope and Function

Section 5: Key Issues in the CAISO/RO Contract

The proposal recognizes that a sole-source RO contract with CAISO creates a need to incentivize vendor performance while preserving an arms-length relationship between buyer and vendor. We believe the proposal strikes an appropriate balance. RO veto authority over the choice of the CAISO Vice President for

Markets creates incentives for CAISO executives to devote management attention to RO issues and increases accountability for performance. Participation and input into the CAISO CEO selection process provides less accountability, but ensures the CAISO CEO appreciates the importance of their stewardship of the broader regional markets and the need to consider interests external to California. Joint selection of the head of the Department of Market Monitoring (DMM) enables the RO to enforce specific requirements on the definition of the role, ensures accountability, and focuses the DMM on EDAM- and EIM-specific issues.

Google recommends the proposal include a greater focus on a market oversight function at the RO. Option 2.5 includes this function, but Option 2.0 includes only two “market experts” and no CAISO audit oversight. Given that CAISO will be a contracted administrator of the EDAM market, it is appropriate and beneficial for the RO to have staff specifically dedicated to ongoing monitoring and evaluation of CAISO administrative performance and of market outcomes. This function would also assess market efficiency and propose recommended market or operational enhancements. This will require more than the currently proposed two staff members.

Google also recommends that the Launch Committee consider whether additional staff is needed to manage the proposed stakeholder process in Option 2. Depending on the number of meetings, working groups, and concurrent market issue initiatives on the issues Roadmap, additional stakeholder process management staff will be needed. Moreover, resolving items on the issues Roadmap will require market expert support, further increasing the importance of adequate staffing levels for that function.

Lastly, the proposal does not mention financial or operating performance metrics. Such metrics could be defined in a RO-CAISO contract with performance against the metrics included in the CAISO Board of Directors CEO performance assessment and compensation determination. Operating metrics can be challenging to define but are included as an element in other RTO management performance evaluations and directly affect compensation incentive payouts.

Chapter 5: Stakeholder Engagement

Overall, the proposed stakeholder process balances the need for robust stakeholder engagement with the need for the RO to have clear decisional authority to proactively address issues. In some areas, the proposed process could be improved to clarify the roles and authority of various stakeholder groups, and to add structure in the form of lower-level stakeholder working groups.

The proposal envisions a high-level Stakeholder Representatives Committee (SRC), primarily responsible for cataloging and prioritizing issues to be addressed through the stakeholder process. The final issue catalog is determined by the RO. This process provides adequate opportunity for stakeholder input while vesting final decisional authority in the RO, who is ultimately responsible for RO functions and market performance. A critical component of the proposed stakeholder process involves turning the prioritized list of issues into a stakeholder Roadmap used to manage issues through the stakeholder process.

The proposal would benefit by clarifying the process used to determine a workplan or Roadmap—which is voted on by the SRC and ultimately recommended to the RO Board—and clarifying and expanding the role of the SRC in the Roadmap development process. The proposal states that the, “Roadmap is intended to reflect the prioritization of initiatives that will be addressed through the RO stakeholder process for the next several years.”¹ To avoid confusion about stakeholder priorities or difficulty in planning or execution, the Roadmap should be a comprehensive set of all initiatives that will be addressed through the stakeholder process. But the proposal is currently unclear as to how the SRC will catalog, consider and prioritize issues other than those brought forward by SRC sector members. The proposal notes that discretionary issues for consideration on the Roadmap may come from non-SRC sources, including “any stakeholder as well as the RO BOSR, the market monitor, the Market Surveillance Committee (MSC), the Independent Market Advisor,

¹ Proposal at page 75

the RO staff, or from a workshop.”² The Roadmap may also include items needed to comply with FERC, state, and local public policy mandates. To enable a robust discussion of issues and to facilitate clarity on stakeholder priorities, the Roadmap voted on by the SRC should include all items of interest to stakeholders, regardless of source.

Google further recommends a revised proposal include more structure on the formation, role, and governance of subcommittees and workgroups formed under the SRC. The Launch Committee should consider pre-establishing standing committees in the revised proposal, which would report to the SRC on a periodic basis. Initial subcommittees could include the following bodies:

- A Market Design and Implementation Subcommittee, which would review enhancements and changes to market rules and protocols, and following FERC approval would work with the RO staff on implementation steps.
- A Seams Coordination Subcommittee, which would focus on market mechanisms to enable transactions between markets and non-markets adjacent to the RO.
- A Greenhouse Gas (GHG) Issues Subcommittee, which would address GHG program matters and examine market alignment, as called for in the proposal.³

With this recommendation, each subcommittee would elect a chair and vice chair responsible for the development of charters, the development of annual work plans, setting meeting schedules, coordinating with staff subject matter experts, conducting meetings, and reporting on actions (i.e., recommendation, votes, and proposals) to the SRC. This process would enable the SRC to delegate issues directly to working groups based on the subject matter and would enable stakeholders to more readily track efforts and allocate staff resources to the stakeholder effort.

Google supports the proposed “Stage 2 Work Groups,”⁴ which we interpret as subgroups under the SRC formed as single-issue task forces designed to work on specialized technical matters. These forums should be targeted to subject-matter technical and policy specialists in stakeholder organizations and are meant to sunset once their task is complete. Subgroups could include:

- A Resource Sufficiency Task Force, which reviews existing market programs that prevent supply deficiencies, including adherence to regional resource adequacy requirements, and
- A Credit and Settlements Task Force, which reviews all matters involving RO credit policies and settlement procedures.

A third set of forums could be workshops and user groups responsible for providing input to RO staff outside of the committee process, which may not cause additional issue elevation. Examples could include user groups focused on information technology (IT) issues, market data availability, and operational matters.

These “additional structure” recommendations are informed by experience with the MISO Advisory Committee’s subcommittee, working group, and task force structure. The RO will require technical expertise across a range of knowledge areas, best accomplished through establishing standing forums that vote, recommend, and report on substantive market matters, which provide the basis for the SRC to review and take further action. Absent such a structure the SRC may perform these functions on its own, potentially overtaxing members.

Thank you again for the opportunity to provide these comments.

Regards,

Caroline Golin

² Proposal at page 82

³ Proposal at page 89

⁴ Proposal at page 89

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