

January 12, 2024

The West-Wide Governance Pathway Initiative

RE: Comments to Evaluation Framework and Pathway Options

SCE expresses its appreciation for the December 15th meeting regarding the West-Wide Governance Pathways Initiative and provides these comments in response to the questions posed as requested stakeholder feedback. Overall, SCE is very supportive of the Initiative's efforts to develop and study the options for a broader and more substantial West-Wide market with independent governance and is certain in its belief that the benefits to the region, and each of the individual participants, will far outweigh the costs and efforts needed to bring it to fruition.

- 1. Do the proposed evaluation criteria support a constructive and thorough assessment of the options?*

SCE agrees that developing a framework to evaluate options for moving forward to the creation of an independently governed entity to oversee a broad market structure in the West. One suggestion that SCE offers is that the framework should more explicitly evaluate the durability of each option. The long-term success of each proposed option may differ for many reasons including barriers to entry and exit, potential changes to preferences of states, and timing of implementation. It is not that durability is not considered in the proposed framework but rather that it may provide additional insight into the various options if it is discreetly analyzed. Additionally, it is not clear whether the desired level of flexibility that is implied by the fifth and sixth criterion will support or hinder the durability of an option, and the cost of maximizing flexibility to obtain the highest level of initial participation may not be fully understood. Lastly, the second criteria of Equitable Representation should be better fleshed out such that it is ensured that all participants are heard and valued but that concept of shared power acknowledges that one participant's preferred solution to a problem may not be best for the whole group or organization and ultimately something that addresses the relative size (e.g., annual MWh of consumption) of participation needs to be appropriately considered.

- 2. Are the bookends reasonably defined to set the boundaries for a timely, productive exploration of available structural alternatives to governing autonomy?*

While the bookends may be possible scenarios, not all scenarios are equally feasible, or in SCE's view equally preferable. Specifically, Options 3 & 4 would require a dramatic rewrite of the CAISO's tariff, and in the transfer of asset and operations to the RO under Option 5 appears particularly concerning. Not only does this approach appear to be ineffective from a cost standpoint, the political viability appears highly challenging compared to other options. As a result, SCE does not support option 4, at least in the near to midterm. In contrast, Options 1 & 2 appear as natural evolutions to the current structure that appear far less disruptive while providing the independence the market desires. SCE recommends focusing additional exploration of Options 1 & 2 in the near to mid-term.

In addition, SCE believes the Initiative should explore the staging necessary to transition to new governance. For example, as a first step, a version of the current Joint Governance structure approved for EDAM after EDAM reaches some level of critical mass could be leveraged. This first step might be possible without any legislative changes. After some reasonable time or other triggering events to be determined, there could then be a transition to a more enhanced RO governance, such as under Option 1 or 2. This approach would both provide a path to enhance governance and provide time to develop a fully fleshed out RO governance framework.

3. *Do additional options not encompassed above, but within the bookends, warrant exploration?*

As stated in the response to Question 2, SCE supports exploring a staged transition to more enhanced governance. It may be worth the exercise to explore an “Abrupt Transition” scenario to better understand what might occur or need to occur if CA independent governance legislation did pass and the path to an RTO opened, but that should not be the only path forward considered by the Launch Committee.

4. *Should other aspects of the new structure not identified in the comparison matrix in Appendix B be addressed within each option?*

SCE does not have any further suggestions for additions to the comparison matrix.

5. *Are there additional threshold or high priority legal questions that should be addressed?*

SCE suggests that the Initiative consider the if and what types of triggering events would be needed to set the implementation of any of the options in motion given the expected go-live of EDAM in 2026. Meaning that it should be expected that any of these Options should be viewed as subsequent to EDAM rather than in place of EDAM and the Initiative should better understand and layout what would trigger a transition from EDAM to each of the options.

6. *Are there additional operational questions that should be addressed or prioritized?*

At this time, SCE does not have any further suggestions for threshold or high priority legal questions.

7. *Are there additional issues or categories of issues that should be considered?*

At this time, SCE does not have any further suggestions for additional issues or categories of issues that should be considered.