

Comments of Deseret Power

Submitted
October 25, 2024

Deseret Power appreciates the opportunity to submit comments on the Pathways Step 2 Draft Proposal. Many of the comments we make here have previously been made in other regional market stakeholder processes related to western market expansion.

| Foundational Area | Deseret Power Comments |
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| 1. Support for Step 2 Draft Proposal: Please indicate your level of support for the Step 2 Draft Proposal. Please provide general reactions, an indication of the benefits of the structural elements that are being proposed, and if you think that the Draft Proposal is on the right track. | <p>The Step 2 Draft Proposal does not adequately address the need for market independence. Currently, the CAISO acts as both a Market Participant and Market Operator in the WEIM and proposes to do the same in the EDAM market design. This primary conflict of interest is not resolved by the Step 2 Draft Proposal. To be clear, the independence concern is not that a Market Participant is governed by a government entity, the concern is that a single entity has oversight of both the Market Operator and a Market Participant.</p> <p>Failure to separate the roles of Market Operator and Market Participant compromises the integrity of the CAISO's WEIM and EDAM markets¹. The Market Operator function in these markets must be separated into an independently governed entity.</p> <p>Under the proposal a new governing body would be established which will contract with the CAISO for Market Operator services. This arrangement fails to separate the conflicted commercial interests of Market Participant and Market Operator by allowing a Market Participant to continue to operate the market (i.e., the conflicted interests remain on the same side of a new firewall.</p> <p>To ensure fairness, equity and independence, the Market Operator, its governance, and the Department of Market Monitoring must be entirely independent from <u>all</u> Market Participants.</p> |

¹ The CAISO's WEIM and EDAM market designs are unique in that they include multiple unconsolidated Balancing Authorities with a single Market Operator rather than requiring participating Balancing Authorities to first merge into a single Balancing Authority with a single Market Operator as is done in other organized power markets in the United States. Therefore, the CAISO's market designs create conflicts of interest which must be considered.

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| | <p>Furthermore, the Step 2 Draft Proposal should address transparency and stipulate that state regulators for regions participating in the CAISO's WEIM and EDAM markets have access to market data equivalent to what is provided to regulators from any other participating state. Currently, the California Public Utilities Commission issues an annual subpoena² to the CAISO requesting market data, including bid data for generators located out of state, which it then uses to evaluate California energy programs and policies. This asymmetrical access to market data provides California regulators an indirect advantage over states whose regulators are not afforded similar market data access.</p> <p>History has and will continue to show a failure to ensure independence of a Market Operator from any Market Participant results in the abuse of consumers.</p> |
| <p>2. Stepwise approach: The Draft Proposal would continue the stepwise approach for Step 2, beginning with Option 2.0, followed by the RO commencing a feasibility study within 9 months of its formation. Depending on the results of the study, the RO would assume further responsibility in the form of Option 2.5 or a similar structure. This stepwise approach is motivated by a desire to continue early momentum towards regional governance by standing up the RO in the near term, while recognizing the time required to create the</p> | <p>See comments on #1 above.</p> |

² California Public Utilities Commission. *California ISO General Resource Adequacy Subpoena*, Section 4. Economic Bids and Self-Schedules, page 10. Accessed October 25, 2024. <https://www.caiso.com/Documents/may-20-2024-california-iso-general-resource-adequacy-subpoena.pdf>

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| <p>infrastructure and financial reserves to enable Option 2.5, and the need to better understand the costs, benefits and structural specifics of Option 2.5. The RO would then have the ultimate authority, with stakeholder input, to make decisions about next steps from and after its formation. Does this stepwise approach create a platform that can achieve the desired level of independence at an appropriate cost to customers?</p> | |
| <p>3. Cost: The Launch Committee has created a high-level preliminary cost estimate for Option 2.0 and 2.5. Please provide feedback on the level of staffing and the costs for both options. Do these estimates seem reasonable, and would stakeholders be willing to shoulder these costs associated with increased independence?</p> | <p>See comments on #1 above.</p> |
| <p>4. Tariff approach: The Draft Proposal recommended maintaining a single integrated tariff at the outset, and embarking on an effort to organize the tariff into the areas of sole CAISO, sole</p> | <p>See comments on #1 above.</p> |

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| <p>RO, and where there is overlapping shared authority. This effort would lay the groundwork to eventually to progress to separate tariffs, should that separation be desired by stakeholders. Do you support this approach? If not, please provide an alternative approach and as much explanation as possible on how the alternative would better address stakeholder needs.</p> | |
| <p>5. Department of Market Monitoring (DMM): The Draft Proposal recommended a joint reporting structure for DMM and RO shared decision making in DMM upper management hiring. Would this change enable sufficient independence? If you think that the proposed approach does not achieve sufficient independence, please provide an alternative approach that would better address stakeholder needs, including any cost implications.</p> | <p>See comments on #1 above. In addition, the joint oversight proposal contradicts the principles of independence if a single Market Participant also has oversight over the Department of Market Monitoring.</p> |
| <p>6. Sectors: The Launch Committee is holding a workshop (10/7) focusing on sectors and seats on the Stakeholder Representatives Committee</p> | <p>It is unclear why the Revised Sector Proposal for a regional market includes an EDAM Entity sector. A Balancing Authority is a reliability entity with no obligation to provide the services contemplated by the EDAM. Conversely, the WEIM Entities sector is appropriate given a Balancing Authority's obligation to provide energy imbalance service. Deseret recommends eliminating the EDAM Entities sector.</p> |

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| <p>(SRC), and will release a revised sector proposal on 10/14. Please share your thoughts on the revised sector proposal and if this component of the overall stakeholder process would allow for meaningful participation and all stakeholder voices to be heard.</p> | |
| <p>7. Tariff based funding for new public interest protections: To help safeguard the public interest, the Draft Proposal recommended a new Consumer Advocate Organization and an Office of Public Participation. Both entities are contemplated to have minimal staff (possibly one or two staff members) and modest budgets funded through the tariff. The current BOSR funding structure would remain unchanged and not be funded through the tariff, but may be revisited in the future if stakeholders think reevaluation is appropriate. Do you support tariff-based funding for these enhanced public interest protections? Please share as much detail as possible in your reasoning to help the Launch</p> | <p>Deseret Power supports a function for public interest protections. However, including state sanctioned consumer advocates is not sufficient if they are not also granted adequate access to market data or if one state has greater access to market data than another as currently occurs in the WEIM (See comments on #1 above). Instead, a policy should be implemented which guarantees any state's regulators will have equivalent access to data granted to any other state's regulators. Failure to ensure state regulators and consumer advocates have adequate and equal access to market data would make their participation more symbolic than substantive. The market should be transparent enough that even independent market researchers would be able to advise consumer advocates in the public interest.</p> <p>Policies enacted in one state need to be respected while simultaneously ensuring those policies do not result in cost leaks or subsidies paid for by ratepayers in another state.</p> |

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| Committee understand the drivers for stakeholders on this topic. | |
| 8. Chapter Specific Feedback: In addition to the questions above, we are seeking feedback on the entire Step 2 Draft Proposal. Please use this space to provide general feedback by chapter, as well as feedback on the embedded technical questions by chapter. | See comments on #1 above. |