



**West-Wide Governance Pathways Initiative**  
**Stakeholder Comment Template: Step 2 Draft Proposal**  
**Comments of San Diego Gas & Electric**

The Step 2 Draft Proposal released on September 26 highlighted detailed, technical questions for continued feedback. This comment template focuses on foundational areas, as not all stakeholders may have feedback on those narrower areas. Stakeholders are invited to provide additional feedback on the more technical questions in each chapter of the Draft Proposal in question 8.

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.

It is clear that the LC has spent significant time carefully contemplating the structure of the new RO. SDG&E appreciates the collaborative process and the LC's commitment to consider stakeholder feedback in the proposal's development. SDG&E is supportive of the Draft Proposal but discusses select issues in more detail below. SDG&E also appreciates the LC's commitment to minimizing costs by utilizing the DMM's and the BOSR's existing structures. The LC's proposal to defer RO formation until California legislation is approved is also appropriate, since legislation that would allow independence could impact the RO's future structure.

While it is unclear whether Option 2 offers enough independence to attract sufficient participation to offset costs, SDG&E believes the Draft Proposal is a reasonable step forward toward a fully independent west-wide RO. Giving sole authority over the WEM tariffs to the new RO Board and allowing for a transparent, initial RO Board seating process creates a new level of independence and shift in priorities, which may give potential market participants a level of confidence that the WEM tariffs will be representative of the entire West. Given that the existing RO Board at any given point will approve future new RO Board members, the transparency and representation of the initial Board member selection will be a critical step in providing potential market participants with a high level of confidence about independence and diverse representation.

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 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?

SDG&E is supportive of the stepwise approach utilized by the LC in the development of the RO. The proposal makes a strong case for continuing the stepwise approach, including needing to better understand the costs and benefits of Option 2.5 and minimizing the costs of transitioning to Option 2. The plan to undertake an Option 2.5 feasibility study within the first nine months of the RO launch is reasonable and will maintain momentum so that the RO continues to evolve



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and move toward full independence.

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?

SDG&E greatly appreciates the LC putting forth the detailed cost estimates in this proposal. SDG&E believes the cost estimates to be reasonable, understanding they are not definitive at the time of these comments. Presenting the cost estimates in terms of the incremental cost to the GMC could also be helpful to stakeholders and current CAISO market participants in order to ascertain the impact of RO operational costs on end-use customers. Affordability remains top of mind for SDG&E, and the incremental costs avoided by leveraging current WEM structures through Option 2 will help to minimize duplicative costs.

Under Option 2, the CAISO maintains existing financial responsibility and liabilities to FERC, and in the event of a regulatory violation, SDG&E understands that the penalties would accrue to CAISO. While the LC has laid out that public fines assessed on the CAISO are less than \$3 million since 2005, SDG&E encourages the LC and future Formation Committee to examine whether it would be appropriate to develop a tariffed cost allocation mechanism(s) that would allow any costs and benefits attributable to WEM policies to be allocated equitably across all market participants under Option 2.

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 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.

SDG&E supports the proposed approach.

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.

SDG&E supports the proposed joint reporting structure for the DMM and believes this structure will be an efficient and equitable way to continue to utilize the expertise of the DMM.

6. **Sectors:** The Launch Committee is holding a workshop (10/7) focusing on sectors and seats on the Stakeholder Representatives Committee (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



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to be heard.

SDG&E is greatly appreciative of the LC for taking additional time to consider the input provided by stakeholders on this topic.

Under the current proposal, the CAISO PTOs have their own sector. As stated before, this approach isolates the ISO PTOs from other participating PTOs, which may not support the objective of creating an organization that bridges California and non-California entities or foster the desired collaboration and cooperation in and among sectors. A sector for all PTOs could better integrate California entities with others in the region, and stimulate further collaboration between the entities. However, SDG&E appreciates that all sector votes are advisory and individual entity votes will be tabulated.

Under the Draft Final Proposal, sectors will be re-evaluated at two points in time (at the RO implementation phase, and two years after implementation). SDG&E supports these checkpoints, but also recommends that the LC consider establishing a more regular review cadence beyond the two-year mark, as the landscape of the market and participants may change over time. A sector review every three to five years for the duration of RO, especially as its independence grows, could assist in ensuring the sectors remain structured appropriately and that they continue to foster cooperation and collaboration.

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 Committee understand the drivers for stakeholders on this topic.

Along with the LC, SDG&E is committed to ensuring affordability throughout this process. These Offices have the ability to help the RO better understand the needs of consumer advocates and the public, but the funding needed for each incremental organization will impact affordability. SDG&E believes that small entities can serve the envisioned purpose, without needing larger staff numbers that will increase costs to all market participants. SDG&E supports the LC's recommendation for the Formation Committee to include additional detail about these organizations in its scope, as this will help participants to understand the tariff mechanism these entities will be funded through. In PJM, the Consumer Advocates organization was initially funded through tariff penalties. Since funding an organization through penalties could create unintended incentives, SDG&E recommends the Formation Committee have additional discussion and consideration about tariff funding mechanisms.

Additionally, the LC recommends routine updates to these Consumer Advocates Office's budget that reflects general cost increases of the functions conducted by the CAO which will be approved via relative routine processes, with requests for more significant changes receiving an additional level of review. While routine cost increases could be approved through a regular budget process, significantly changing the level of funding (i.e., increasing the number of



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employees) could impact customer affordability, and SDG&E recommends the Formation Committee consider cost control measures when conducting its additional work on the scope of the CAO under Option 2. This structure could always be re-evaluated under Option 2.5.

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.

#### **Step 2 Draft Proposal Chapter Headings**

- Chapter 1: RO Scope and Function
- Chapter 2: Formation of the RO
- Chapter 3: RO Governance
- Chapter 4: Public Interest
- Chapter 5: Stakeholder Engagement
- Chapter 6: Pathways to Additional Services

SDG&E has no additional feedback, and thanks the LC for the work that went into putting this proposal together.

Written comments are due on October 25, 2024. Please submit comments via email to [Comments@WestWidePathwaysInitiative.org](mailto:Comments@WestWidePathwaysInitiative.org). Thank you in advance for your time and feedback. We look forward to receiving your comments and ideas.