



West-Wide Governance Pathways Initiative

October 25, 2024

To: West-Wide Governance Pathways Initiative Launch Committee

Re: **Stakeholder Comments: Step 2 Draft Proposal**

These Comments represent the joint views and positions of the Balancing Authority of Northern California, NV Energy, PacifiCorp, Portland General Electric Company, and Seattle City Light. Overall, the Joint Commenters are highly supportive of the West-Wide Governance Pathways Initiative (Pathways). This view is shaped by our observation of what works in the West, which is incremental change built upon past success. Here, the Pathways effort is building on the governance reforms recommended by the Transitional Committee and the Governance Review Committee, and its own Step 1 recommendations that have already been adopted by the CAISO Board of Governors and WEM Governing Body. It is also built on the demonstrated success of the Western Energy Imbalance Market and anticipated Extended Day Ahead Market which already has garnered several adherents.

The Joint Commenters also harken back to the initial deliverables outlined by the participating states in their July 14, 2023 letter, which created the vision for a West-wide market inclusive of California, that could avoid duplication of investment in market systems while maintaining the benefits from the Western Energy Imbalance Market, that could be a vehicle for the extension of additional voluntary services under the auspices of the new Regional Organization, and thus could prioritize and maximize overall consumer benefit.¹

The Joint Commenters support this vision, and believe the Pathways Launch Committee has delivered a work product that meets these expectations.

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.

As noted above, the Joint Commenters are strongly supportive of the Step 2 Draft Proposal. The Draft Proposal is on the right track and should be finalized expeditiously. There are many issues that will have to be resolved by the RO itself. Nevertheless, the Launch Committee had provided a very detailed proposal, and a full blueprint for the RO structure can come later. The proposal balances the need to make real progress toward establishment of the RO, while recognizing that there are several complex issues that must be worked through, and that cost containment for the RO will be paramount to

¹ July 14, 2023 Letter to WIEB Leadership, <https://www.westernenergyboard.org/wp-content/uploads/Letter-to-CREPC-WIEB-Regulators-Call-for-West-Wide-Market-Solution-7-14-23-1.pdf>



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anticipated market participants like the Joint Commenters.

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?

A stepwise approach is essential. There are too many variables and questions in RO formation that make conclusive recommendations implausible. Performing a feasibility study on how to best build off the platform of Option 2.0 will enable stakeholders and the RO to answer the question of “what comes next.” We do believe that the RO will need real world information and experience on the operation of the markets under Option 2.0 to inform this study.

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?

Joint Commenters believe the cost estimates are within the range of reasonableness. It could be that further staffing and cost reductions could occur, but having this estimate seems to be a reasonable starting point this time. Joint Commenters do not believe the anticipated costs are a barrier to participation in RO administered markets.

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.

An integrated tariff is essential as a starting point. There are too many areas of overlapping responsibility to create two Tariffs initially. Also, it would be time and resource intensive to do so, and at least for initial purposes in which there will clearly be integration of services, such a Tariff separation would not advance the goal of



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independence appreciably.

Joint Comments note the work products of the Launch Committee Tariff Working Group, which articulated a division of Tariff provisions into RO, CAISO, and Joint Authority categories. More work is needed to be sure. For example, we agree with the point made by the Working Group presentations and in the Draft Proposal that Tariff reorganization, as has been done by the CAISO in the past, may further delineate Tariff provisions to make the respective RO and CAISO authorities clearer. For now, this Tariff delineation and potential improvements through reorganization should be an early task for the RO and CAISO.

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.

Joint Commenters support the recommendations in the Draft Proposal. We begin by noting that the hybrid structure for market monitoring, which includes both the DMM and Market Surveillance Committee, provides extremely helpful analysis, assessment, data, and feedback into the market design process, in addition to their enforcement roles that are less visible. We note that they will still be involved in issues under CAISO, and RO, authorities. Thus, some dual reporting structure to both the CAISO and the RO is required.

But let's not fix what is not broken by introducing additional changes and criteria. The DMM's stated purpose is "to provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses."² The MSC's established role "shall be to provide independent external expertise on the CAISO market monitoring process and, in particular, provide independent expert advice and recommendations to the CAISO CEO and Governing Board."³ This process has worked well and is delineated by relevant FERC Order. Other than modifying reporting structures to the CAISO and RO, little change is required.

² CAISO Tariff, Appendix P, Section 1.2.

³ CAISO Tariff, Appendix O, Section 1.1.



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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 to be heard.

Joint Commenters support the revised sector definitions and overall SRC composition. Our view is educated by several factors. First, we support the role of SRC to be advisory and inform the market design process, and not play a role that is either a gatekeeper or decisional. Second, we support voting by individual stakeholder members. Third, the revised sector proposal and revised SRC composition recognizes the considerable and continuing investment by market participants, including WEIM and EDAM Entities. We also support two (2) representatives of consumer advocates, which will allow geographic diversity within that sector.

Joint Commenters emphasize that conversely, we would not support a proposal that gave the SRC decisional or quasi-decisional authority, and which mutes the voices of individual stakeholders or market participants, including minority opinions, on market design issues.

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.

Joint Commenters had initial concerns, but ultimately support the funding of the Consumer Advocate Organization and Office of Public Participation, through a Tariff charge. First, it is similar to mechanisms in RTOs. Second, the step helps build trust among consumer representatives in multiple states that the RO will take into account consumer interests over a wide footprint of the potential market, and possible for other services.

Joint Commenters do not object to the concept of funding BOSR through a Tariff charge. The main objection to date has been the funding through a Tariff change that would include funding by public power entities and as such would change the current funding sources from the mechanisms currently in place by assessing the charge to non-jurisdictional entities. If a Tariff charge would streamline the process for collecting the BOSR funding amounts while maintaining the jurisdictional separation current in place, such that public power entities would not pay the charge, Joint Commenters would support such a Tariff charge.



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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

Joint Commenters believe we have addressed these specific areas in the comments above. Individual comments may be filed by certain Joint Commenters to delve into additional detail.

Signed,

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