

Western States Regional Electricity Coordination Effort

Background and Concept

This effort is being proposed by several states in the West and is intended to be inclusive of all Western states and provinces and a broad range of stakeholders, including but not limited to utilities, generators, trade associations, ratepayer advocates and environmental advocates.

Studies show that there are significant benefits in terms of affordability and reliability for customers across the West by participating in a large West-wide market footprint that includes California. Recognizing this fact, a group of Western state regulators and energy officials has put forth the concept of a new, independently governed entity that will leverage and accelerate the progress made to date by the Western Energy Imbalance Market (EIM) and the Extended Day Ahead Market (EDAM). Western market participants and states have invested significant time and resources in the EIM, which is now delivering major benefits including billions of dollars in savings and enhanced system reliability for participating states. The EDAM is growing and promises much greater participant benefits.

Collaboration among Western entities is needed to build on the success of the EIM, maximize the benefits from West-wide markets, and manage their evolution into the provision of other energy services, potentially including development of a Western RTO. To achieve these goals, independent governance and co-development of the entity by Western states, provinces and stakeholders are essential.

Implementation Phases

Discussion and Planning Phase

This phase will expand the initial dialogue about the project's vision and determine the preliminary details to launch the Working Group Phase described below. This phase will be informed by input from all interested states and provinces (referred to as states hereafter). It is not anticipated that the working group will determine the details of the independent entity, but instead will catalyze a stakeholder process to develop next steps.

Objective: Define preliminary work plan and project management, secure funding and staffing support, develop a straw proposal for the structure of stakeholder working groups, and provide preliminary guidance on how the new entity's founding board will be selected and seated.

Organization: Convening of all interested state regulators and energy offices.

Timeline: Complete discussion and planning phase in mid- to late-August.

Initial (Working Groups) Phase

The next phase – the Initial (Working Groups) Phase – will be an inclusive stakeholder process to define the key elements of the new entity.

Objective: Decide key elements of the new entity, including the form, mission, and scope; develop charter to guide the initial work; identify founding board members; and establish the new entity.

Organization: State and industry co-led effort with engagement from all interested stakeholders in a working group structure.

Timeline:

- Begin Initial Phase in late August/early September.
- Finalize key elements, charter, and founding board in December 2023.
- File incorporation documents and application for 501(c)(3) status in January 2024.

Implementation Phase

The implementation phase will be the launching of the new entity under the founding board and development of the governance proposal.

Objective: The state working group and interested stakeholders will develop a governance proposal for an independent entity capable of hosting RTO services and building on CAISO's extended day-ahead market (EDAM) foundation, to be submitted to the founding board. The governance proposal will:

- Fully implement independent governance with West-wide representation
- Prioritize customer benefits and reliability as the core mission of the institution and the services it offers

Organization: 501(c)(3) entity with a founding board and small staff. This organization will:

- Be an independent West-wide vessel entity capable of providing full RTO services with a primary goal of developing the largest possible West-wide footprint for market operations.
- Be structured to best meet Western energy needs including reliability and affordability while furthering participating states' clean energy goals.
- Be capable of contracting to offer services across Western states.

FAQs

- 1. The letter by the coalition of Western states proposing regional electricity coordination was addressed to the Committee on Regional Electric Power Cooperation (CREPC) and Western Interstate Energy Board (WIEB). Is this a project of those organizations?**

Addressing the letter to CREPC and WIEB served to announce the initiative broadly and invite the broadest group of stakeholders to the conversation. It did not reflect prior discussions about support from CREPC or WIEB, but such support may be discussed as the initiative develops.

- 2. Why was this initiative announced at such an early stage?**

With a goal to engage others in a conversation about an important idea as soon as possible, convening states announced this initiative within two weeks after being introduced to the concept. A consequence of this commitment to transparency and inclusiveness is that many questions about the concept and initiative are yet to be answered.

- 3. Is this a states-only effort or will other stakeholders be engaged?**

The convening group's intention is to be transparent and inclusive, engaging all interested stakeholders.

4. Utilities and other market participants have been key contributors to EIM and EDAM market design and governance. Will this effort change that?

No. The initiative's initial goal is to stand up a West-wide, independently governed entity to manage a Western market and provide an opportunity to explore development of a Western RTO. Utilities, market participants, and other stakeholders are expected to be active participants in this effort, similar to the efforts that led to development of the EIM and EDAM. This effort is intended to build on the progress made to date in the EIM and EDAM while providing space to develop an entity with a governance structure that allows for independence, ensures electric reliability and provides cost savings for customers throughout the West.

5. Is the concept to form an entirely new entity, or to leverage an existing regional entity?

The concept is to form an entirely new entity, that will be able to leverage existing regional efforts that are providing significant increasing benefits to members of the market West-wide.

6. Why is the new entity envisioned to incorporate only market services currently offered by CAISO? Shouldn't an independent entity be free to incorporate or initiate other market services?

The initiative is focused on designing a vessel entity with independent, West-wide governance, not on designing market services. Once formed, an entity could theoretically incorporate or initiate any market services. In practice, however, the project has been initiated as an effort to build on the customer and reliability benefits of the Western EIM's broad footprint by creating a path beyond EDAM's joint governance to a unified Western market and a full range of Western integration services.

7. Are state regulators involved in this effort still participating in development of SPP Markets+?

Yes. The state regulators convening this effort agree that a larger footprint that includes California can maximize customer value, as shown by the state-led market study. However, some also recognize the value of simultaneously working toward development of other viable market options.

8. Is this initiative expected to delay initiation of EDAM? Does this initiative reflect an issue with EDAM?

No. This initiative is intended to support CAISO's rollout of EDAM, which will move forward under the adopted and broadly supported joint governance structure. If successful, the new entity could eventually assume governance of EIM and EDAM.

9. Is California legislation required to initiate this concept? What legal and logistical steps would need to be taken to transfer CAISO market services to the new entity?

Legislation is not required to initiate the concept. Questions about further steps will be discussed and considered throughout the implementation phases described above. Further exploration of the anticipated long and short-term outcomes and further input from stakeholders will inform the responses to these questions.

10. In the past, the idea of an independent entity to administer West-wide market services has come up in the context of determining governance of the EIM (through the EIM Transitional Committee's work in 2015), where such an approach was ultimately not pursued. Is this proposal the same as the one that was not adopted then?

This proposal is different. Unlike the past discussion, where EIM would have been administered by an entity separate from the CAISO, the goal of this proposal is to transition administration of all market functions (EIM, EDAM, and potentially a future RTO) to the new entity with independent governance. Under this proposal, the existing investments in markets would be leveraged and built upon, avoiding duplication.