

Southern California Edison Comments

Stakeholder Comment Template: Step 2 Draft Proposal

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.

Overall, SCE is very supportive of the Step 2 Draft Proposal. The Proposal provides a reasonable and detailed roadmap for moving forward in the formation of the Regional Organization (RO) in support of developing broader and more integrated electricity markets in the West. It must be cautioned that despite an increasingly robust plan and positive momentum toward these desired outcomes there remains much work as well as much uncertainty to achieve Option 2.0; therefore, any movements to obligate the RO and its future Board to moving to Option 2.5 are premature and would potentially only serve to hinder the success of Option 2.0.

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?

SCE supports the concept of a stepwise approach as contemplated by the Draft Proposal with the focus of efforts on the successful implementation of Option 2. Additionally, SCE supports the idea of a feasibility study initiated by the RO holding ultimate authority and following the successful implementation of Option 2.0. SCE does not support obligating the RO to commence this feasibility study on any accelerated timeline. Rather the RO, as it will have ultimate authority, should determine on its own the appropriate timing to move forward with the Option 2.5 feasibility study.

The success of Option 2.0 is not guaranteed and the RO, the RO Board, and all stakeholders must focus their resources and attention on ensuring the successful implementation of Option 2.0 which will be made that more difficult if pressed to prematurely declare success to justify moving forward with a codified commencement of a feasibility study of Option 2.5. SCE believes that the RO and RO board (along with stakeholders) will need substantially more time to gain experience with the broader market and market functions of Option 2.0 prior to being sufficiently prepared to move to Option 2.5. However, should it be necessary to put a time constraint to the

commencement of the Option 2.5 Feasibility Study, SCE recommends that it be a minimum of 24 months beyond the go-live date of Option 2.0.

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?

Part of the elegance and strength of Option 2.0 is that it is designed to achieve a great deal with minimal incremental costs as compared with Option 2.5. In other words, SCE believes that Option 2.0 will provide similar levels of economic benefits for both customers and stakeholders as will Option 2.5 without the substantial costs of establishing a completely separate organization that Option 2.5 will require.

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.

SCE believes that the Draft Proposal should not obligate the effort re-organize the tariff prior to the successful implementation of Option 2.0. Similar to an initiation of a Feasibility Study of Option 2.5, the RO Board will be best positioned to determine if and when it is appropriate to move forward with re-organizing the tariff as described above. Without the experience of successfully operating the broader market and markets functions that Option 2.0 will offer, a tariff re-organization effort may well prove academic and obsolete upon its completion.

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.

SCE supports the proposal for DMM to jointly report to the CAISO Board and the RO Board. Additionally, to the extent that DMM obligations are outside of the scope of the RO and RO Board, e.g., CPUC reporting, DMM must retain those obligations irrespective of contrary direction of the RO and RO Board.

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.

SCE believes that the revised sector Proposal, as with the earlier Proposal version, provides both stakeholders with sufficient opportunities to meaningfully participate in the stakeholder

process. Additionally, SCE strongly supports the Proposal providing ultimate authority to the RO Board and staff in the cases of immediate action for market design changes and improvements.

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.

SCE supports the tariff-based funding proposal for the enhanced public interest protections but expects these funds to be provided judiciously especially considering the inclusion of a Consumer Advocate sector within the SRC.

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

SCE has no additional specific feedback at this time.