

October 25, 2024

## **Seattle City Light Comments on West-Wide Governance Pathways Initiative 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.*

Seattle City Light (City Light) strongly supports the Step 2 Draft Proposal. City Light recognizes and commends the efforts of the Launch Committee and participating stakeholders for the tremendous amount of work over the past year in this effort to develop a path toward an independent Regional Organization (RO) governance structure that reflects the cooperative and interconnected regional nature of the Western Energy Imbalance Market (WEIM) and Extended Day-Ahead Market (EDAM). The recommendations included in the Draft Proposal represent countless hours of listening to input from a wide array of stakeholders, leveraging some of the smartest energy policy minds in the West and to thoughtfully balance incorporation of feedback and recommendations from the diverse interests of stakeholders. Importantly, this proposal will provide the opportunity to build upon the collaborative and positive outcomes achieved through the development and operation of WEIM over the past decade—creating a platform to deliver additional benefits to our customers.

City Light believes that the Step 2 Draft proposal, if put into effect through legislation in California, will result in a material improvement in independence of the WEIM and EDAM. The Step 2 Proposal will generate meaningful short-term progress and enable the RO to govern the transition to greater institutional independence.

City Light also believes the Step 2 Draft Proposal presents a compelling case for the stepwise approach, which lays out the work needed to be done in Option 2 and creates a foundation that will facilitate progress toward Option 2.5 and beyond as soon as it is feasible. This approach also meets the implementable objectives outlined in the July 23, 2023, Letter from Regulators that established the Pathways Initiative. The stepwise approach will generate meaningful short-term progress and will enable the RO to govern the transition to greater institutional independence, while also taking into account the logistical realities that will need to be addressed prior to the implementation of Option 2.5 and beyond. Because the complexity associated with Option 2.5 will take additional time to implement (building up sufficient reserves, amending existing contracts, tariff related work, staffing, etc.) focusing on implementing Option 2.0 first will create the fastest path to achieve more independent governance.

While City Light recognizes that Option 2.0 will be a material improvement and that beginning with Option 2.0 is a pragmatic approach to establishing independent regional governance, it is also important to City Light that the outcome of Step 2 sets a course that will capture the existing momentum to move toward Option 2.5 and beyond. Further, we understand and appreciate that there is a strong desire from some stakeholders to have a firmer indication that the Option 2.0 structure will be temporary, with a plan to transition to a structure with even greater independence. City Light believes that elements of the Step 2 Draft Proposal will help to facilitate that transition. For example, performing a feasibility study to better understand how best to build off the framework of Option 2.0 for offering additional market services will expedite efforts to continue to evolve the governance structure in a way that best meets the needs of and reflects the composition of the evolving market.

Overall, City Light feels the approach outlined in the Step 2 Draft Proposal provides value, allows for the ability to learn as the Regional Organization grows, and creates the most realistic path to additional governance evolution.

**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?*

As discussed above in response to question 1, City Light fully supports the stepwise approach. Performing the feasibility study to get a stronger and more informed perspective on the costs, benefits and structural specifics of Option 2.5 or a similar structure is prudent and will facilitate the creation of a solution that would be the best fit for how the market has developed at that stage. This approach will allow the next steps and costs to be analyzed, considered, and weighed to inform the next steps.

City Light supports commencing the feasibility study within nine months of the RO's formation. This would allow the momentum from the successive changes made through Step 1 and Step 2 Option 2.0 to continue to carry the effort forward and ensure this work continues as expeditiously as possible. City Light recommends that the Charter for the RO or other documentation should memorialize a commitment to complete the feasibility study as one of the RO's first tasks. A set timeframe provides entities who desire continued governance progress the surety that this work will not lag.



- 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?*

City Light appreciates the high-level cost estimate for Options 2.0 and 2.5 and recognizes the preliminary nature of the estimate. We support the continued refinement of these costs and a more in-depth analysis of staffing needs. We suggest that the Formation Committee undertake this work as part of its scope for standing up the RO. Like all entities, City Light is cost-conscious, and we believe there is value in exploring options for limiting duplication in function between the RO and the Market Operator (MO) where possible. However, we also understand that additional independence will come at an additional cost. Undertaking work to better refine cost estimates may be a helpful input to the feasibility study and could potentially help to expedite that work.

City Light also supports the approach of beginning with a smaller budget and smaller staff at the outset of Option 2.0 and growing it over time as needs require. City Light encourages a reassessment of staffing needs on whatever timeframe makes the most sense following the launch of the RO, including if there are indications that additional staffing is needed more quickly than might have been initially anticipated. The ability to take an iterative approach will help ensure that the RO is right-sized to successfully perform its duties. It will also allow stakeholders to weigh the costs and benefits of increased independence and puts them in the driver's seat to build an organizational structure that meets the needs of the regional market.

- 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 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.*

City Light supports the approach of maintaining a single integrated tariff at the outset of Option 2.0 and building on the preliminary work that the Launch Committee and the CAISO have already undertaken in continuing to organize the tariff into the areas of sole-CAISO authority, sole-RO authority, and shared authority. City Light agrees that this work is important for the likely progression of eventually having two separate tariffs. This ongoing work will take time to complete, and will require additional stakeholder process, thus, City Light supports the Formation Committee completing this work, if feasible. Alternatively, we suggest this work should be one of the initial tasks the RO undertakes, in addition to the feasibility study.

- 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.*

City Light supports the proposed changes to the Department of Market Monitoring (DMM) for increased independence. However, City Light supports preserving the remainder of the current structure, which has worked well, demonstrated independence, and resulted in appropriate market monitoring. Any changes made to the current structure need to be compliant with FERC Order 719, and City Light anticipates that the proposed changes fall within the required parameters.

The joint reporting structure and input into the hiring of the head of the DMM will provide the RO the necessary voice and oversight in this important function and preserve the robust market monitoring function that the DMM provides today. Additionally, having an equal number of RO Board and CAISO Board representatives on the Department of Market Monitoring Oversight Committee and transferring the WEM Governing Body Market Expert to the RO Board are reasonable changes that will enhance independence. City Light supports that the functions shared between the RO and CAISO will be delineated and that the RO and CAISO will work together to determine a workable reporting structure.

City Light is comfortable with expanding the criteria for selecting Market Surveillance Committee (MSC) members to include consumer issues and public interest expertise, so long as the role of the MSC remains focused on providing data and analysis. It is then up to stakeholders, the Market Operator, States, etc. to determine what action to take or changes to implement based on the data. Stepping into the policy realm is outside the scope of the MSC and it is important to keep these lines crisp. Additionally, while it is reasonable to have members of the MSC to have expertise on consumer and public interest issues, it remains critical that members of this committee also have broader expertise in areas vital to the understanding of competitive markets. The role of the MSC is economic in nature and preserving this function is crucial for effective review of market performance and market power problems, as well as potential structural issues.

**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.*

City Light appreciates the work the Launch Committee and the Stakeholder Process Work Group have done in creating a proposal for a balanced stakeholder process that will empower stakeholders and that leverages the expertise of both the RO and MO staff. City Light believes the proposal strikes the correct balance in its structure, in that it allows entities to have issues heard, and encourages collaboration on solutions, while also retaining an appropriate role for the subject matter expertise of RO and MO staff that will help to facilitate these processes and effectively move issues forward.

City Light also supports the revised sector proposal. As a load-serving entity (LSE) and asset owner, the outcomes of market policy and market design directly impact the operation of the resources City Light relies on to reliably serve our customers' load as well as the costs they pay. Given this responsibility to



serve customers and our status as a market participant, it is crucial that we have a meaningful voice in the sector representation. It is important that direct market participants and LSE asset-owners have a viable means to impact market policy, and the proposed sectors provide balanced representation.

Additionally, City Light supports the inclusion of a Chair and Vice-Chair for the SRC in the Revised Sector Proposal. Given the size of the SRC it will be crucial to have this administrative leadership to help organize the SRC and to interface with RO staff. From our experience with the Regional Issues Forum (RIF), this organizational structure has proved invaluable and including this feature in the RO stakeholder process will help position the SRC to operate successfully.

City Light also acknowledges that to be effective in achieving the desired outcomes of this new approach, the SRC construct will be more time intensive than the current work undertaken by stakeholders. As a result, there will be a culture shift, as well as an expectation that entities may need to increase their resources to staff this appropriately. City Light strongly encourages the proposed re-evaluation of the sectors and stakeholder process at the two-year mark to determine if the structure is in fact meeting its goals and to not shy away from making modifications to better construct a process where stakeholders can effectively participate, if changes are needed.

**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.*

City Light supports tariff-based funding for these new entities. It is understood that the budget for both of these new organizations will be modest, with each organization having 1-2 employees. If there is future consideration of increasing the size and budget of these organizations, City Light recommends that stakeholders are able to review and weigh in on those decisions through the stakeholder process. We recognize that these additional protections for the public interest help to ensure that the customer voice is present and represented in market considerations.

**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

Chapter 1: RO Scope and Function: In general City Light supports giving the RO the ability to determine, with stakeholder feedback, what is practical and achievable to continue to progress towards increased independence and the ability to offer additional services. Being overly prescriptive at this juncture in aspects such as the timing and process for renegotiating existing contracts and minimizing cost burdens on market participants may hamstring participants in the future. City Light supports the overall structure that the Launch Committee is proposing for Step 2 but acknowledges that there must be trust in that structure to determine how to achieve the best outcomes for the market and the associated viable continued changes to governance.

Chapter 3: RO Governance: City Light supports the proposal for the RO Formation Committee structure and role as an accountable body to the Launch Committee, as it continues into the next phase of forming and seating the RO Board. Further, building off the model currently in place for the WEM Nominating Committee allows for leveraging an effective structure and process. The ultimate goal of a Nominating Committee to ensure that a slate of candidates meet the threshold requirements to effectively serve on the Board should be able to be effectuated through the framework in the proposal.