West-Wide Governance Pathways Initiative

Update for the CAISO Board of Governors and WEIM Governing Body

May 22, 2024
Agenda:
I. Introductions
II. Background and Regulator Statement
III. Pathways Structure
IV. Pathways Initiative Proposal
   ○ Step 1
   ○ Public Interest Focus
   ○ Step 2
V. Next Steps
VI. Questions
- Spencer Gray, Northwest & Intermountain Power Producers Coalition
- Lisa Hickey, Interwest Energy Alliance
- Marc Joseph, Coalition of CA Utility Employees, CSAEW
- Evelyn Kahl, California Community Choice
- Scott Ranzal, Pacific Gas & Electric
- David Rubin, NV Energy
- Kathleen Staks, Western Freedom
Pathways Initiative Background
October 2023:
- Letter to WIEB-CREPC Leadership
- Initial Options and Evaluation Criteria

December 2023:
- Launch Committee formed
- Stakeholder feedback
- DOE Application submitted

January 2024:
- Straw Proposal released

April 2024:
Launch Committee Members

States/Provinces:
Commissioner Milt Doumit, WA
Commissioner Kevin Thompson, AZ
President Alice Reynolds, CA

Alternates:
Letha Tawney, OR
Siva Gunda, CA
Pat O'Connell, NM

Public Power and Coops:
Josh Walter, SCL
Connor Reiten, PNGC
Jim Shetler, BANC
Randy Howard, NCPA

Alternate:
Jon Olson, SMUD

Independent Power Producers:
Scott Miller, WPTF
Jan Smutny-Jones, IEPA
Ben Fitch-Fleischmann, Interwest

Alternate:
Spencer Gray, NIPPC
Lisa Tormoen Hickey, Interwest

Residential and Small Commercial Customers:
Michele Beck, Utah Office of Consumer Services

Non-utility Load Serving Entities:
Evelyn Kahl, CalCCA

Large C&I Customers:
Kathleen Staks, Western Freedom

Alternate:
Heidi Ratz, CEBA

Technology Providers:
Brian Turner, AEU

Public Interest Organizations:
Michael Colvin, EDF
Alaine Ginocchio, WRA
Ben Otto, NW Energy Coalition

Alternate:
Mark Specht, UCS

Power Marketing Authorities:
Chrystal Dean, WAPA

CA IOU Transmission Owners:
Scott Ranzal, PG&E
Jeff Nelson, SCE

EIM Entities:
Alyssa Koslow, APS
David Rubin, NVE
Kerstin Rock, PAC
Pam Sporborg, PGE

Alternate:
Robert Eckenrod, PAC

Labor:
Marc Joseph, IBEW – CA
Launch Committee Mission

The Mission of the Launch Committee of the WWGPI (Committee) is to develop and form a new and independent entity with an independent governance structure that is capable of overseeing an expansive suite of West-wide wholesale electricity markets and related functions based on the following core principles:

- The entity should enable the largest footprint possible that includes California, and maximizes overall consumer benefits;
- The entity will include independent governance for all market operations;
- The new entity will preserve and build upon existing CAISO market structures that serve over 80% of the Western Interconnection, including the Western Energy Imbalance Market (WEIM) and the Extended Day Ahead Market (EDAM);
- A primary goal will be to minimize duplication and incurrence of costs for both the market operator and market participants; and
- The structure should be flexible to accommodate the future voluntary provisions of full regional transmission organization (RTO) services for those entities that desire to do so, but not mandate that any entity must join such a future potential RTO.
Pathways Initiative Proposal
Pathways Initiative

Stepwise Regionalization Process

Step 1
Increase WEIM
Governing Body
Authority and
Independence over
CAISO Energy
Markets

Step 2
Create a New
Independent
Regional Organization
for Market
(+ Operations)
Governance

Step 3
Continue to Expand
Scope of Regionalized
Functions from Step 2
Step 1
Straw Proposal

1. Stakeholder Input
   - WEIM GB reviews proposal to amend tariff within scope of primary authority

2. WEIM GB Decision
   - CAISO BoG Consent?¹
     - Yes
       - CAISO files CAISO proposed tariff with FERC
     - No
       - WEIM Charter §2.2.2 ⁴ Dispute Resolution
         - Resolved
           - CAISO files resolved tariff with FERC
         - Unresolved
           - CAISO files two co-equal proposals for FERC decision³

3. Time-Critical Exigent Circumstances for Reliability or Market Integrity⁴
   - CAISO files CAISO proposed tariff with FERC

4. FERC approves I/R tariff

¹ WEIM Charter amended to reflect a requirement to consider the public interest in decision-making
² If filed as “time-critical” exigent circumstances, the WEIM GB may object with FERC after-the-fact to the CAISO action and redirect the issue to the §2.2.2 dispute resolution procedure
³ Dual filing required even if either body proposes no change to the tariff (i.e., no “pocket veto”)
⁴ CAISO can exercise exigent circumstances filings at any of three points: (1) sua sponte, as a BoG decision, (2) BoG consideration of a WEIM GB proposal for its consent agenda, or (3) as an outcome of the dispute resolution process
Evaluation Criteria

1. **Maximized net benefits**, including reliability, affordability and environmental benefits, recognizing startup and ongoing costs, and considering both new benefits and impacts on existing benefits.
2. **Equitable representation** across the Western region and among all market participants, including for a wide range of legal entities.
3. **A governance structure** independent of any single state, participant, or class of participants.
4. **Organizational flexibility** to accommodate future expansion of regional solutions and to create a credible and timely path to a voluntary RTO, including the balancing authority and transmission planning functions.
5. **Optionality** to allow market participants to choose the market services they value.
6. **Preservation** of existing balancing authorities’ ability to maintain independence, authority, and governance.
7. **An implementation timeline** that promotes broad market participation.
8. **Respect for state authority** to set procurement, environmental, reliability and other public interest policies.
STEP 2/Option 2.0
New RO with “Sole” Authority Over Market Governance

CAISO (501(c)(3))
CA-appointed Board

Regional Organization (501(c))
Independent Board

Interface Agreement

*Corporate Protections

**Sole Authority

CA Grid Ops/BA Function

WEIM
EDAM
(Other/New Services)

NV Energy (Corp.)
PGE (Corp.)
BANC

Sole Authority

Grid Ops/BA Function

Grid Ops/BA Function

BA Function

* Corporate protections will give assurances to CAISO that RO will not take actions that will impair CAISO’s ability to meet its obligations.

** The RO’s role is decision-making over market rules and the associated stakeholder process.
STEP 2/Option 2.5
New RO with “Sole” Authority Over *Market Governance & Operations*

CAISO (501(c)(3))
CA-appointed Board

- **Sole Authority**
  - CA Grid Ops/BA Function
  - *Corporate Protections*
    - Tariff Administration
    - Market Operations
    - Billing

Regional Organization (501(c))
Independent Board

- **Sole Authority**
  - Contract for Services
  - WEIM
  - EDAM (Other/New Services)

- BOSR-style entity

NV Energy (Corp.)
PGE (Corp.)
BANC

- Sole Authority
  - Grid Ops/BA Function
  - Grid Ops/BA Function
  - BA Function

* Corporate protections will give assurances to CAISO that RO will not take actions that will impair CAISO’s ability to meet its obligations.

** The RO’s role is formally providing the EDAM/WEIM services to interested entities, in addition to deciding the market rules, supported by a services contract with the CAISO to operate the markets.
Next Steps

- Finalize Step 1 with public vote
  - May 31 Stakeholder Meeting
- Deliver Step 1 recommendation to CAISO BoG and WEIM GB for stakeholder process and implementation
- Refine and finalize Step 2 with stakeholder workshops and collaboration with CAISO staff
- Step 2 final recommendation: Sept./Oct.
- RO Initiation: Jan. - June 2025
- CA legislative engagement (ongoing): 2025 legislative session
Thank You.