



Submit comment on draft summary report.

Initiative: Assembly Concurrent Resolution 188

The ISO values stakeholder input on this preliminary draft, and plans to incorporate feedback received during the January 20 stakeholder call, and in written comments submitted by the deadline on February 3, into future iterations to ensure the accuracy and value of the final report. Please submit written comments to infoACR188@caiso.com.

Submitter information

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1. Provide a summary of your organization’s comments on the draft summary report and January 20, 2023, stakeholder call discussion:

There is no doubt that the expanding footprint of CAISO into an RTO, if properly developed, can bring significant economic benefits and economic development activity to the Western region and each state that voluntarily chooses to join in. The creation of a West-wide RTO is expected to result in millions per year in electricity cost savings compared to the operation of the electrical grid without a west-wide RTO at the utility level only. Given that some states are considering this option being explored by CAISO, the lack of shared governance among states continues to be a concern in creating and expanding an RTO.

We propose CAISO change its governance structure and adopt a model similar to the WEIM governance. The WEIM Market Governance Review Committee, Body of State Regulators (BOSR), and Nominating Committee is comprised of Participating Transmission Owners, Energy Suppliers and Marketers of Generation, ESPs, Publicly Owned Utilities, PUCs, Independent Consultants, Office of Consumer Services, WEIM Entities, states appointed representatives. The CAISO should adopt a governance model that adheres to the same principle of shared governance among market participants with a broader stakeholder engagement and representation while respecting state autonomy, federal, state public policy, an independent and responsive grid governance, management, and operational transparency.

2. Provide your organization’s comments on the regional cooperation efforts in the West, as described in section 2 of the draft report:

The second section of the draft report delves into the regional cooperation efforts in the West. The literature references in this section indicate a strong interest among many states in the Western Interconnection to examine the advantages of joining an ISO/RTO. ISO and RTOs offer various services across the United States, such as capacity markets, energy markets, and transmission planning. Some or a portion of these regional services are already provided by different agencies, like the Western Energy Imbalance Market (WEIM) by CAISO and the Western Resource Adequacy Program

(WRAP), which indicates that most states are aware of the benefits of these incremental programs. Implementing these programs may require significant initial investments, and organizations may need to go through a learning process to mature. California ISO has extensive experience providing its members with ISO/RTO services. It is in a favorable position to take a leading role in bringing all interested parties together to develop and propose an acceptable solution to everyone. However, CAISO must initiate the change by altering its governance structure, allowing all interested parties an equal voice in the RTO/ISO market design. All states engaged in this discussion must have the opportunity to represent the interests of their ratepayers and stakeholders (IPPs, Participating Transmission Owners, etc.), and the governance structure should enable transparent communication. Without a change in CAISO's governance structure we do not see a path forward.

For Regionalization to become reality, it is paramount that CAISO work side-by-side with the other states, collectively recommend and adopt a committee or joint structure for consideration of issues and changes to market rules.

3. Provide your organization's comments on the literature included in the review, as described in section 3 of the draft report:

Section 3 of the draft report analyzed various studies performed to study the benefits of regionalization. The National Renewable Energy Laboratory (NREL), the California Independent System Operator (CAISO), and other California Balancing Authorities (BAs) developed a list of studies using publicly available resources and summarized their findings. The technical studies indicate that CAISO's Day-ahead Extended market and the Western Energy Imbalance Markets (WEIM) provide economic benefits. Furthermore, the literature shows additional savings at a west-wide level, the larger the area of expansion, the greater the savings to California customers and states that voluntarily chooses to join in with ratepayer's benefits, local employment, economic development, and environmental impacts.

For instance, the report indicates that an RTO that add only PacifiCorp to the existing ISO footprint, it could save California customers about \$70 million per year, or about 0.1% of retail costs; a West-wide RTO, on the other hand, could save \$1.3 billion to \$1.9 billion per year. We strongly agree with the findings that a regional ISO/RTO will benefit ratepayers across all states in WECC.

4. Provide your organization's comments on the annotated summary of the literature, as described in section 4 of the draft report:

The literature indicates the magnitude of benefits should an RTO model is adopted. Regardless of the model adopted: a single West-wide RTO that includes the ISO, or two sub-regional RTOs, the ISO and a second RTO that includes other western states, the relative cost savings and benefits of an organized regional market are greater.

Cooperation across the region could help with reduction in production costs, resource adequacy, cost savings of operating reserves for reliability, and efficient transmission planning. This can only be achieved with the participation and representation of all segments and stakeholders in the industry.

Because markets operate more efficiently on a larger scale, a single geographic market footprint is preferable over small, limited ones.

5. Provide your organization's comments on SB 100 and relevant updates, as described in section 5 of the draft report:

We applaud the California Legislature, the California Energy Commission, the Public Utility Commission, and the California Air Resources Board for their commitment to the 100% Clean Energy Act of 2018 also known as the Senate Bill (SB) 100.

SB 100 establishes the roadmap that at least 60% of the state's electricity be renewable by 2030, and by 2045 all retail electricity sales be supplied by renewable energy and zero-carbon resources.

The joint report examines the core scenarios that could unfold under SB 100's mandates: The first includes load estimates under the assumption of high electrification demand and assumes all candidate resources became available immediately. The second core scenario examines the same factors under different amounts of energy demand, and the third examines the same factors under different amounts of energy supply. In addition, these models examine scenarios under which the Legislature expands load forecast to align with current demands assumptions, retires combustion resources, adds zero carbon firm resources as eligible to fulfill the goals of SB 100, or accelerates SB 100's timeline via additional target dates. Some of this demand will need to be met by imports and the report also notes that retaining existing gas fleets could be viable to address the increase in demand.

In all three scenarios, capacity must increase significantly. Even in a 60% RPS scenario, California will still need approximately 110 GW of additional capacity; with electrification nearly doubling that estimate, increasing reliance on out-of-state imports.

We believe that by enabling an inclusive, independent, transparent, grid governance, and with ongoing collaboration to address transmission needs across the region could help California meet SB 100's goals. The need for renewables to meet state and federal policy goals is driving demand for regional transmission to access the West's resource diversity while protecting reliability.

Transmission infrastructure is a critical RTO function. Transmission planning and investments decisions remain with each balancing authority area, state and local regulatory authority and once made available across the region, it will support energy transfers through contributions by interchange rights or available transmission capacity provided by participants or members of the RTO.

6. Provide any additional comments on the draft summary report and January 20, 2023, stakeholder call discussion:

Governance was critical to the formation of the WEIM and will need to evolve again to provide proper representation for participants as its services and memberships expand. The ISO's governance has evolved with WEIM footprint expansion from an advisory



governing body to the joint authority model, and stakeholders agree it can be evolved further to enable greater collaboration across the region.

Regionalization shows the potential economic and reliability value of closing the gap between individual power providers' service territories where different rules and tariffs limit energy transfer, to a broader, and inclusive market participation.

Each step and/or consideration toward the ISO regionalization has revealed new benefits and cost savings at the state and regional level.