

Attachment 2:
Written Feedback on the Step 1 Proposal

August 2024

(1) Indicative Voting

The ISO staff offered stakeholders an opportunity to provide written feedback in response to the Pathways Step 1 Proposal. To guide those responses, ISO staff developed several question prompts, the first of which asked entities to indicate whether or not they support the proposal:

- Please provide a one word reply to indicate whether your organization supports, opposes, or holds a neutral position with respect to the Step 1 Recommendation.

The table below provides the responses¹ received to this prompt:

Support (22)	Neutral (6)	Oppose (1)	No Position Offered (2)
<ul style="list-style-type: none">• Arizona Public Service• Balancing Authority of Northern California• Business and Environmental Representatives (representing 14 organizations)• California Community Choice Association	<ul style="list-style-type: none">• Bonneville Power Administration• Public Generating Pool• Puget Sound Energy• Salt River Project• Tucson Electric Power• Western Area Power Administration	<ul style="list-style-type: none">• Bill Julian	<ul style="list-style-type: none">• CPUC – Public Advocates Office• Public Power Council

¹ One additional party, the Body of State Regulators, submitted a separate narrative that did not use the comment template and thus did not include a one-word response. In their narrative, they stated that “[t]he BOSR supports the Step 1 Proposal” and did not propose any changes. BOSR encouraged the Pathways Launch Committee to continue its ongoing effort to develop a Step 2 proposal that moves beyond this proposal.

<ul style="list-style-type: none"> • California Large Energy Consumers Association • Environmental Defense Fund • Interwest Energy Alliance • Joint Commenters – Public Interest Organizations and Advocates (<i>representing 9 organizations</i>) • NV Energy • PacifiCorp • Pacific Gas & Electric • Portland General Electric • San Diego Gas & Electric • Southern California Edison • Seattle City Light • Shell Energy • Six Cities (<i>representing Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside</i>) • Tacoma Power • Vistra 			
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<ul style="list-style-type: none"> • Western Consumer Advocates (advocates from NV, CO, UT, and WY) • Western Freedom • Western Power Trading Forum 			
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(2) Summary Matrix of Written Feedback and ISO Staff Response

After seeking the indicative votes represented above, the ISO staff developed the following question prompts to collect additional feedback on specific elements of the Step 1 proposal:

- Please provide a summary of your organization’s comments on the Step 1 Recommendation of the West-Wide Governance Pathways Initiative.
- Provide your organization’s comments, if any, on the proposal to elevate the WEIM GB Decision-marking from “Joint Authority” to “Primary Authority.”
- Provide your organization’s comments, if any, on the proposal to modify the current dispute resolution process to include a “Dual Filing.”
- Provide your organization’s comments, if any, on the proposal to incorporate public interest safeguards for participating states in WEIM GB.
- Provide your organization’s comments, if any, on the proposed Trigger for Step 1 Implementation.
- Please provide any additional comments pertaining to the Step 1 Recommendation of the West-Wide Governance Pathways Initiative.

The ISO received written feedback from 32 entities in response to the Pathways Step 1 Proposal. A large majority of the commenters, including the BOSR and 19 of the 22 entities listed in the “Support” column above, expressed support for the Proposal without any changes.

There were a smaller number of commenters that either suggested changes or revisions to the Pathways Step 1 Proposal or otherwise raised questions about how the ISO intends to process the proposal. The table below represents ISO's staff's response to this latter group of comments.²

The stakeholder comments summarized below can be grouped into two general categories:

Category 1: Comments on topics already directly and exhaustively considered by the the Launch Committee.

Category 2: Comments suggesting refinements or further consideration in areas that were at a level of detail that the Pathways Step 1 Proposal did not address.

In the table below, ISO staff provides a high-level summary of these comments, organized by these two categories and then by generalized topic of the comments. The table also offers ISO's staff response to each generalized topic.

(a) Category 1:

The first category of comments are focused on topics that the Pathways Launch Committee already directly considered and addressed in detail. In each case, as detailed in the matrix below, ISO Management believes the Pathways Step 1 Proposal reached a balanced and well-considered outcome that should not be modified at this juncture.

Topic	Summary of Comments	ISO Staff Response
Definition of exigent circumstances	Summary: Several parties asked that more definition be provided for what constitutes time-critical exigent circumstances permitting the Board to approach a tariff amendment without Governing Body approval. One party explicitly	As the Launch Committee observed in the Step 1 proposal, these terms have already been carefully defined in current governance documents (see, Charter for WEIM and EDAM Governance, Section 2.2.2) and those definitions have worked well. Importantly, the existing definition requires that the

² There were several comments that either addressed substantive topics that the Pathways Initiative should consider in its Step 2 process or that discussed the processes followed by the Pathways Initiative in performing its work. ISO staff has not addressed those comments in this table as they are outside the scope of the Step 1 Proposal and more properly addressed by the Launch Committee.

	<p>argued to the contrary that the existing exigent circumstances provision not be further limited.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • Establish clear definition of “exigent circumstances” that is “strict and stringent” (APS) • Recommends that the definition of “time-critical” should be further defined “to mitigate any confusion regarding exigent circumstances” (EDF) • Recommends that ISO staff “consider if there are ways to further note the limited nature” of the exigent circumstances exception (PGP) • Greater definition needed and limitations placed on what constitutes an “exigent circumstance” (PSE) • Support continuation of existing “exigent circumstance” provision and not “further limiting it” as some parties suggest (Six Cities) • CAISO should “further define exigent circumstances” in a way that ensures this is used as a “last resort” only (TEP) • Seek more information about the definition and process that will be used for the “exigent circumstances” exception (PPC) 	<p>circumstance be “critical to preserve reliability or to protect market integrity,” and the ISO Board must justify its finding of such circumstances in writing and approve it unanimously. The Charter for WEIM and EDAM governance further provides that the Board can move forward in this manner without fully exhausting the dispute resolution process if the Board finds, in writing and by unanimous vote, that the issue “is so time critical as to require immediate action.”</p> <p>The ISO staff agrees with the Step 1 proposal that this definition is similar to the language used in the dual-filing context used in ISO-New England and is both limited and clear. Attempting to define this in more detail seems counterproductive, particularly since it would not take into account that any such situation is necessarily context-specific.</p>
Trigger mechanism	<p><u>Summary:</u> Several parties recommend elimination of the trigger requirement, and the immediate implementation of Step 1. Other</p>	<p>As the proposal states, the trigger has been designed “to ensure that governance changes produce the desired result – an</p>

	<p>parties either suggested the trigger period should be lengthened or that the existing trigger is a significant concession by California entities.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • Remove the trigger and implement right away (APS) • The trigger should be eliminated for Step 1 and instead should take effect “at the commencement of EDAM” (PSE) • “Step 1 would represent a tangible – and inequitably shared – oversight loss to California ratepayers... such changes should not be taken lightly.” (CA PAO) • Does not support the trigger mechanism or the “reverse trigger” that would undo Step 1 (SRP) • A “more defined process” should be in place to address what happens if some committed entities reverse course after initially committing to EDAM (SDGE) • Does not support the Step 1 trigger (TEP) • Does “not oppose the trigger” but encourages ISO to “take necessary steps” to make governance improvements under its authority even in the absence of the trigger being met (Vistra) • This concept should not be approved until after EDAM goes live and at least one 	<p>expanded, geographically diverse EDAM footprint.” We support this intent of the trigger, and find that the specific threshold defined is both clear and reasonable.</p> <p>While there are parties that would prefer either a shorter or a longer trigger period, ISO staff believes the proposed trigger is a reasonable compromise that balances the interests of some parties to have a degree of certainty in connection with committing to EDAM and the interests of others to refrain from moving forward with the changes unless there is sufficient commitment to EDAM. In addition, while the Step 1 Proposal does not create a “reverse” trigger if the percentage of EDAM participants later falls below the initial threshold, the Proposal does propose adding language to the Charter for WEIM and EDAM Governance than would allow the WEM Governing Body to commence a further governance review in that context. See Pathways Step 1 Proposal at Appendix D (Proposed Modifications to Charter for WEIM and EDAM Governance).</p> <p>For context, as of the end of July 2024, the ISO has received executed EDAM implementation agreements from PacifiCorp and PGE. We have also received public indications of intent or leaning toward EDAM as the preferred market choice from the Balancing Authority of Northern California, LADWP, Idaho Power, and NV Energy. In our</p>
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	summer season has passed under EDAM (Bill Julian)	assessment, if those entities alone proceed to execution of an EDAM implementation agreement, then the trigger mechanism as proposed by the Step 1 proposal will have been fulfilled.
Scope of Primary Authority (the “applies to” test)	<p><u>Summary:</u> Several parties sought changes or further definition to the scope of issues falling within primary authority.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • Scope of tariff provisions falling within Primary Authority should be reviewed and clarified (BPA) • More development needed of how the applies to test will be designed and applied (PSE) • Further definition needed of what the applies to test covers (PSE) • ISO should more fully document both how the “applies to” test works, how disputes are resolved, and what tariff provisions it covers (SRP) • ISO should review the tariff and identify in more detail the sections covered by the “applies to” test (TEP) • Seek more information about the process used for determining when primary authority applies (PPC) 	<p>As the Launch Committee observed in the Step 1 proposal, the scope of the “applies to” test—which would guide the scope of Primary Authority pursuant to Step 1—was thoroughly considered by the GRC, has already been carefully defined in current governance documents, and has worked well in practice under the joint authority construct.</p> <p>The “applies to test” is defined in detail in the Governing Body Charter (see, Charter for WEIM and EDAM Governance, Section 2.2.1). The Charter also outlines a dispute resolution process for instances where the Board and Governing Body disagree regarding classification of a decision with regard to the “applies to” test (see, Section 2.2.4). In addition, the GRC prepared a detailed Table of Contents of the tariff that provided an illustrative summary of how the rule would work in practice (see, GRC Phase Three (EDAM) Proposal, Appendix B: Overview of Tariff Sections Subject to Joint Authority or Subject to Approval by the Board Only Under the “Apply To” Test).</p> <p>Additionally, a policy is currently in place that provides detailed guidance to ISO staff for handling policy initiatives that may come</p>

		before the WEM Governing Body (see, Guidance for Handling Policy Initiatives – EIM Governing Body, available on WesternEIM.com).
Public interest statement	<p><u>Summary:</u> One party offered specific language to be added to the Governing Body’s charter related to the public interest.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • Support for added language to the Charter for WEIM and EDAM Governance about public interest responsibility to respect state and local policies (Six Cities) • Request additional language added to the Charter that the GB: “provide for fair and equitable allocation of costs as among market participants and their customers, with respect to both decisions and recommendations pertaining to market participation and internal operations” (Six Cities) 	<p>The Launch Committee previously considered extensive comment on the language that it recommends in the Step 1 proposal to be added to the Charter for WEIM and EDAM Governance related to the protection of the public interest. The proposed additional language here is focused on cost allocation, which we find to be different in type from the language included in the Step 1 Proposal, which focuses more generally on the preservation of consumer interests and state and local authority. For this reason, we do not support adopting this recommended change.</p>
Legal Authority	<p><u>Summary:</u> One party suggested that the ISO seek an opinion from the California Attorney General on the legality of Step 1.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • CAISO should request an opinion from the Attorney General on whether proposed delegation is legal under CA law (Bill Julian) 	<p>Additional legal analysis or opinion from the California Attorney General is not necessary or warranted. The Launch Committee hired Perkins Coie to perform a legal analysis of various governance options, including Step 1. That analysis supports the conclusion that the Pathways Step 1 proposal is legally permissible under existing California law.</p>

		The ISO's lawyers have also carefully considered this issue and likewise have concluded that the proposal is legally permissible under California law.
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(b) Category 2:

The second category involved comments on several topics that were at a level of detail that the Pathways Step 1 Proposal did not address. As described in the table below, ISO Management has reviewed each of those comments and agrees with the approach taken in the Pathways Step 1 Proposal. Specifically, ISO Management views these as topics that the Board of Governors and WEM Governing Body may want to discuss and address in the future, but does not believe these topics warrant changes or additions to the Pathways Step 1 Proposal nor specific guidance hard-wired into the governance documents.

Topic	Summary of Comments	ISO Staff Response
Continued collaboration between the ISO Board and WEM Governing Body	<p><u>Summary:</u> Various parties identified an interest in defining a structure or process to support continued collaboration between the two bodies after Step 1 is implemented.</p> <p>Parties suggested this could take the form of continued joint meetings, informal discussions or briefings, or a formal communication structure.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> Defining and including a structure to “ensure communication across” the Board and GB under the primary authority construct (APS) 	The ISO Board of Governors and WEM Governing Body enjoy a strong working relationship under the existing joint authority construct, and we appreciate the interest of stakeholders to explore ways to continue to foster and maintain that level of collaboration after the implementation of Step 1. ISO Management supports this in principle and recommends that the Board and Governing Body continue to work together on finding ways to maintain their collaborative relationship, including through information sharing, continued joint meetings, or other mechanisms.

	<ul style="list-style-type: none"> • Concerned that this could reduce collaboration between the two bodies. Encourage CAISO to “consider elements that can be added to the proposal to support continued collaboration” (BPA) • Suggest that the two bodies “continue to meet jointly” (BPA) • CAISO should “retain ability for [WEM] GB and CAISO BOG to have informal discussions or briefings on primary authority items before a proposal goes to the [WEM] GB for a vote” (CalCCA) • “We encourage CAISO to develop opportunities for continued collaboration” between CAISO BoG and GB (Joint PIOs) • CAISO Board members will still be able to review stakeholder comments, proposals, briefing materials and “participate in [WEM] GB meeting.” (NVE) • CAISO could also “maintain the join meeting structure and modify the voting practice” (NVE) • The Board and GB “should continue to collaborate” on decision-making in the primary authority context (PAC) • If Step 1 adopted, consideration should be given to developing ways to ensure the two bodies continue to be collaborative. CAISO staff should “consider a continuation of 	<p>The Pathways Step 1 Proposal does not mandate the complete elimination of the joint meeting structure, nor does it otherwise prevent the two bodies from developing new processes to enhance their collaboration. Rather than proposing a specific mechanism, Management recommends that the Board and Governing Body retain the flexibility to define, refine, and modify this process over time as the two bodies gain experience with the primary authority paradigm.</p> <p>As a result, while we support the intent of these comments in principle, we do not believe it would be appropriate to hard-wire a particular mechanism to foster this continued collaboration into the Step 1 proposal itself.</p>
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	<p>periodic joint meetings or other ways to encourage this collaboration.” (PGP)</p> <ul style="list-style-type: none"> • Proposal should include a “communication structure” between Board and GB to ensure collaboration continues under the new model (PSE) • Support including a “communication structure between the [WEM] GB and the Board” to ensure collaboration under the new model (SRP) 	
<p>Implementation of Section 205 dual filing mechanism</p>	<p><u>Summary:</u> A few parties identified an interest in the ISO describing in more detail how the proposed “dual filing” mechanism would operate.</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • Proposal should discuss “the role of CAISO staff in preparing dual filings” and how process will ensure both filings would be presented to FERC on “equal footing” (BPA) • How should dual filing process be structured to ensure that WEM GB’s proposal is “accurately and fairly articulated” and that CAISO “does not express preference” for one filing (CalCCA) • More development needed of how dual filing will work and how conflicts will be addressed (PSE) 	<p>We appreciate the interest of stakeholders in better understanding how this process would operate, and we acknowledge that the Step 1 proposal does not attempt to prescribe in detail the mechanics of how ISO staff would undertake to ensure that the filing fairly and accurately reflects the two proposals without expressing a preference. That said, the Pathways Step 1 Proposal has also been designed in manner that should make dual filings exceedingly rare, if they occur at all.</p> <p>ISO Management believes that the basic elements of the dual filing mechanism outlined in the Step 1 proposal provides the proper amount of detail to include in static governance documents. If a dual filing were to occur, the Board and Governing Body would be well situated at that juncture to provide any necessary guidance to ISO staff on these topics. As with our response to the comments about continued joint collaboration</p>

	<ul style="list-style-type: none"> • What is the process that triggers a dual filing? Who makes the final determination that a dual filing is necessary? (CalCCA) • What are the respective “post-filing roles” of the CAISO and WEM GB and how will the WEM GB’s role “be funded” (CalCCA) 	<p>between the ISO Board and WEM Governing Body, this again is an issue where it is preferable to preserve flexibility for the two bodies to work together to develop the appropriate procedures and process and to avoid hard-wiring details into the governance documents in advance.</p>
<p>Process to make changes in governance documents to implement Step 1</p>	<p><u>Summary:</u> A couple of parties sought more specific information on how changes to governance documents would occur if Step 1 is approved, and if parties would have an opportunity to review those changes..</p> <p><u>Stakeholder-Specific Feedback:</u></p> <ul style="list-style-type: none"> • Changes to the governing documents should be “offered for assessment” (APS) • More specifics needed on changes to governing body documents, and which stakeholders will need to and be able to review (PSE) 	<p>If the Step 1 Proposal is approved by both the ISO Board and the WEM Governing Body, Management will move forward with steps to implement the Proposal consistent with the recommended trigger. We would prepare governance documents that attempt to directly adopt the Step 1 proposal as approved, without substantive changes.</p> <p>Specifically, Management will prepare the necessary revisions to the relevant governance documents and will bring them to both the ISO Board and WEM Governing Body for review and approval at an upcoming general session meeting within the next several months. Management will also prepare proposed implementing revisions to the tariff that will be filed with FERC upon approval of the amended governance documents, which would take effect later, when the trigger conditions in the Pathways proposal are satisfied.</p> <p>In both instances, these revisions would be posted publicly before adoption, providing</p>

		<p>additional opportunity for public feedback. We would plan to undertake this process with sufficient time such that we could file any necessary tariff changes with FERC for approval approximately 60 days before we anticipate the threshold for the trigger being met.</p>
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