



California ISO

WESTERN ENERGY MARKETS

Step 1 Proposal

West-Wide Governance Pathways Initiative

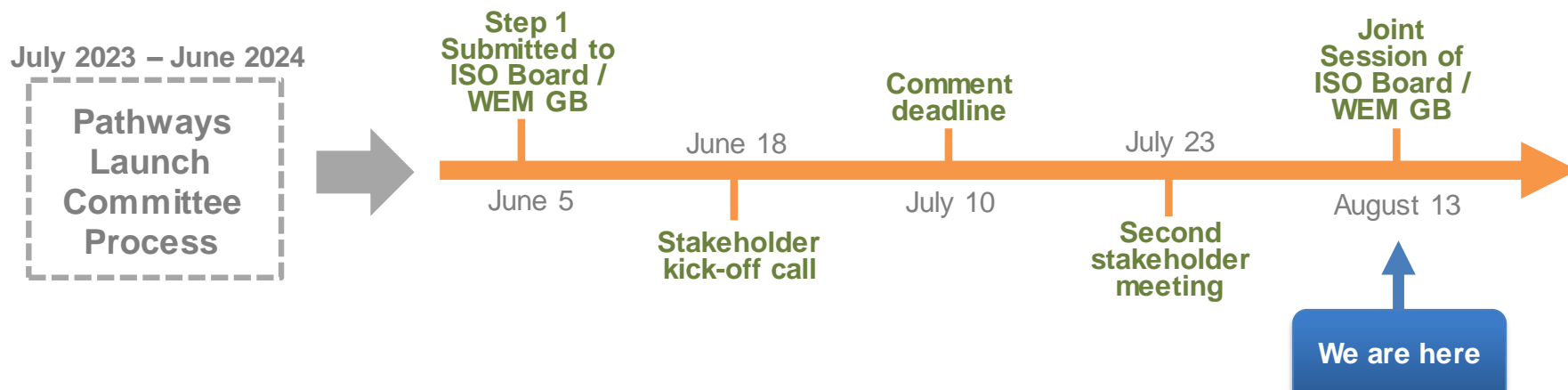
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Manager, Regional Coordination

Joint ISO Board of Governors and WEM Governing Body meeting
General Session

August 13, 2024

ISO Policy Initiative Stakeholder Process



- For more information, the following materials are available on the ISO's [policy initiative page](#):
 - The Step 1 proposal submitted by the Launch Committee
 - Video recordings of the June 18 and July 23 stakeholder meetings
 - Catalog of the comments received from 32 entities

Key Elements of the Step 1 Proposal

Pathways Initiative: Stepwise Approach



Step 1: Key Elements

Step 1 elevates the WEM Governing Body's "Joint Authority" with the ISO Board to "Primary Authority"

Initial Decisions

WEM Governing Body makes the initial decision on proposals resulting from the stakeholder process if they fall within its decision-making scope (meets the existing "apply to" test)

Dual Filings

Unresolved disputes over tariff changes between WEM Governing Body and the ISO Board require the ISO to use Section 205 filing rights to present both proposals, without preference, to FERC for decision

Public Interest

Additional provisions in the Charter for WEIM and EDAM Governance focused on consumer interests and preservation of state and local authority

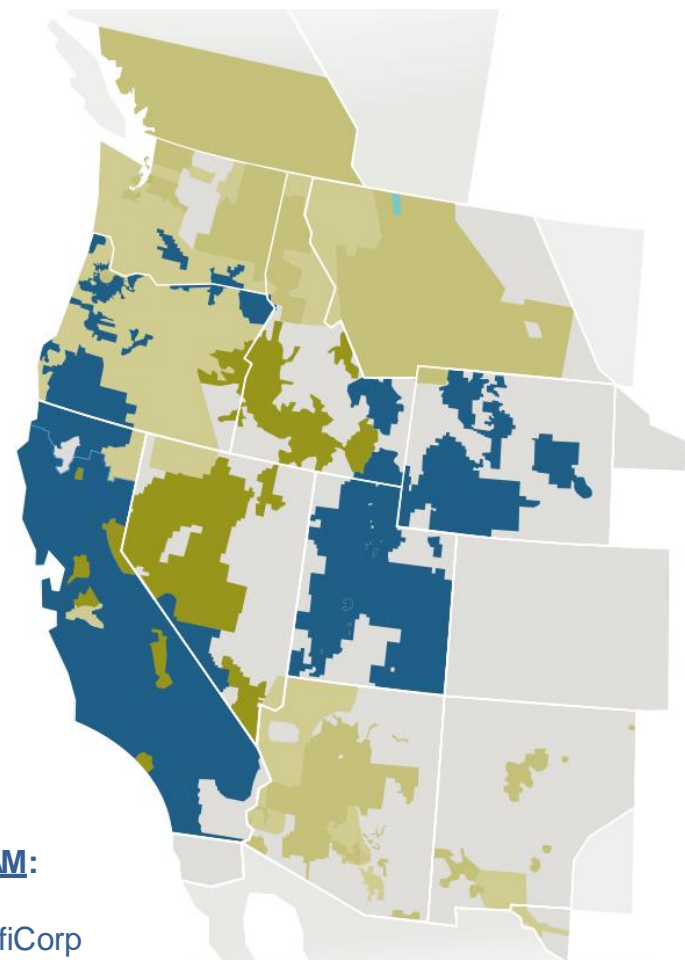
Trigger for Implementation

Step 1 would only take effect when the following criteria are met:

- (1) Execution of EDAM implementation agreements by utilities representing load equal to or greater than 70% of ISO's load, and
- (2) At least one new participant from both the NW and from the SW, beyond PacifiCorp, BANC, and LADWP.

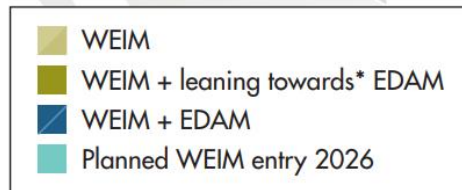
Purpose of the trigger:

To ensure that Step 1 expands the geographic footprint of EDAM to accelerate the benefits of greater regional coordination.



Leaning EDAM:

BANC
LADWP
Idaho Power
NV Energy



**These entities have publicly indicated a leaning towards EDAM as their preferred day-ahead market.*

Summary of Step 1 Comments

Step 1 Proposal: Indicative Voting

Support (22)		Neutral (6)	Oppose (1)	No Position (2)
<ul style="list-style-type: none"> • Arizona Public Service • Balancing Authority of Northern California • Business & Environmental Representatives • California Community Choice Assoc. • California Large Energy Consumers Association • Environmental Defense Fund • InterWest • Joint Public Interest Organizations • NV Energy 	<ul style="list-style-type: none"> • PacifiCorp • Pacific Gas & Electric • Portland General Electric • San Diego Gas & Electric • Southern California Edison • Seattle City Light • Shell • Six Cities • Tacoma Power • Vistra • Consumer Advocates from Nevada, Colorado, Utah, and Wyoming • Western Freedom • Western Power Trading Forum 	<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

Summary of Step 1 Comments

Issue	Summary
Continued collaboration between the ISO Board and WEM Governing Body	<ul style="list-style-type: none">• Various parties identified an interest in defining a structure or process to support continued collaboration between the two bodies after Step 1 is implemented.• Parties suggested this could take the form of continued joint meetings, informal discussions or briefings, or a formal communication structure.
Process to make changes in governance documents after approval of Step 1	<ul style="list-style-type: none">• 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.
Public interest statement	<ul style="list-style-type: none">• One party offered specific language to be added to the Governing Body's charter related to the public interest.

Summary of Step 1 Comments

Issue	Summary
Logistics in the Context of a Dual Filing	<ul style="list-style-type: none">• A few parties identified an interest in the ISO describing in more detail how the proposed “dual filing” mechanism would operate:<ul style="list-style-type: none">○ What role for ISO staff in preparation of filings?○ How to ensure preference is not indicated for one of the filings?○ How to ensure accuracy in articulation of positions in a filing?○ What triggers the mechanism?○ How will role of Governing Body be funded?

Summary of Step 1 Comments

Issue	Summary
Definition of exigent circumstances	<ul style="list-style-type: none">• Several parties asked that more definition be provided for what constitutes time-critical exigent circumstances:<ul style="list-style-type: none">○ To mitigate confusion○ To note its limited nature○ To ensure it is used as a last resort• One party commented that the existing exigent circumstances provision not be further limited.
Trigger mechanism	<ul style="list-style-type: none">• A couple of parties recommend elimination of the trigger requirement, and the immediate implementation of Step 1.• One party suggested this change not take effect until after one year of EDAM operation.

Summary of Step 1 Comments

Issue	Summary
Scope of Primary Authority (the “applies to” test)	<ul style="list-style-type: none">• Some parties sought changes to the scope of issues falling within Primary Authority:<ul style="list-style-type: none">○ Review of and further definition and development of the ‘applies to’ test○ Provide more details of tariff sections covered by the ‘applies to’ test
Legal Authority	<ul style="list-style-type: none">• One party suggested that the ISO seek an opinion from the California Attorney General on the legality of Step 1.
Pathways process to develop Step 1 proposal	<ul style="list-style-type: none">• Multiple parties raised concerns with the process used by the Launch Committee to develop the Step 1 proposal, while another party commended the same process and its accessibility to stakeholders.

Summary of Step 1 Comments

Issue	Summary
Comments pertaining to the development of Step 2	<ul style="list-style-type: none">• Several parties offered comments that appear to be directed at the ongoing development by the Launch Committee of its Step 2 proposal:<ul style="list-style-type: none">○ Defining authorities retained by CA under that proposal○ Comments focused on changes to the stakeholder process○ Articulating an interest in a greater role and funding for consumer advocates in Step 2

Response to the Comments and Recommendation

Response to Comments

Category 1	<ul style="list-style-type: none">• Issues that the Launch Committee previously considered and addressed• The Step 1 proposal reached an appropriate outcome that we support• We do not recommend changes
Category 2	<ul style="list-style-type: none">• Comments focused on issues at a level of detail that were not addressed by the Step 1 proposal• These comments do not in our view require substantive changes to the Step 1 proposal• Board and Governing Body should have flexibility to collaboratively address these topics, if necessary, in the future

Category 1: Management's Response

- Four major topics fall into this category:
 - Definition of exigent circumstances
 - Scope of Primary Authority under the applies to test
 - Trigger mechanism for Step 1
 - Public Interest language in the Charter
- These issues were exhaustively considered by the Launch Committee and we support their recommendations for addressing each issue

Category 1: Management's Response

- Some stakeholders sought more definition or explanation of 'exigent circumstances' and the 'applies to' test
 - These terms have been carefully defined in ISO's current governance documents, they have worked well, and we see no reason to revise them
- We understand the purpose of the proposed trigger to tie implementation of the governance changes proposed by Step 1 to a firm expansion of the EDAM footprint, and we believe that mechanism is reasonable
- We acknowledge that the Launch Committee proposed specific language to modify the Charter for WEIM and EDAM Governance to protect the public interest, and we do not see a compelling reason to modify this language

Category 2: Management's Response

- Three topics fall into this category:
 - Continued collaboration between Board and Governing Body
 - Logistical details for dual filing mechanism
 - Process for the implementation of Step 1, if approved
- These issues were at a level of implementation detail that they were not considered in depth by the Launch Committee
- Our view is that the Board and Governing Body should retain flexibility to collaborate and consider evolution of the first two of these issues over time
- On the third issue, proposed changes to the governance documents and the tariff to implement Step 1 would be presented publicly and subject to the approval of the Board and Governing Body

Recommended Next Steps

- Indicative voting showed strong overall support for the Step 1 proposal
- Management supports the Step 1 proposal, and recommends approval of the proposal as submitted without changes
- Management is prepared to develop proposed amendments to the governance documents and to the ISO tariff to implement Step 1
- Management will bring the changes to the governance documents to the ISO Board and WEM Governing Body for approval before the trigger for Step 1 implementation is met