

West-Wide Governance Pathways Initiative

**Joint CAISO Board of Governors and
WEM Governing Body Meeting
December 18, 2024**



West-Wide Governance Pathways Initiative

Review of Final Step 2 Proposal



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.



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.



Pathways Initiative

Stepwise Process

Step 1

Elevate WEIM/EDAM Governing Body authority in the governance of existing CAISO energy markets

Step 2

Transfer governance authority over existing energy markets from CAISO to a new Regional Organization

Step 3

Continue expanding the scope of regionalized functions and services offered by the Regional Organization



Pathways Expands Regional Coordination in Energy Markets But Leaves Other CAISO Functions Untouched



Independence of the Regional Organization

Regional Organization

Independent Board

Tariff:

- Sole 205 Filing Rights
- Sole authority over provisions related to WEIM and EDAM

Staffing:

- RO dedicated staff
- Advisory input into VP selections that oversee market policies

Organizational:

- Independent RO Board
- Ultimate authority over market-related BPMs
 - Separate & independent legal entity
- Regular evaluations of CAISO contract performance
- Independent Market Monitor joint reporting structure
- Ability to add voluntary market services for Western entities who request them

Stakeholder Process & Public Interest:

- RO led, market operator supported stakeholder process
 - Body of State Regulators
- Independent Consumer Advocate Organization
 - RO Office of Public Participation
- RO Market Expert expanded scope to include public interest



Changes to Final Proposal

- **General**

- Stakeholder feedback incorporated through body of document
- Clarified CAISO is not a market participant
 - It has no assets in the market, does not engage in market transactions, and does not have any financial interest in market outcomes
- Most references made to “RO staff” in the Draft Proposal have been changed to “staff”
 - The Formation Committee will work with the market operator to determine RO and MO staffing roles and responsibilities
- Emphasized implementing the Proposal will require a culture shift from stakeholders



Next Steps



Formation Committee

- This sets the stage for further develop and **implementation** of Step 2, in coordination with the CAISO, WEM Governing Body, and stakeholders
- The Launch Committee will delegate implementation to the Formation Committee and oversee the activities required to advance this process
- The Formation Committee will focus its work in three stages:
 - Preparation activities prior to California legislation enactment,
 - Implementation activities after California legislation enactment/before seating RO Board, and
 - Implementation activities after California legislation enactment and after seating RO Board
- A sub-committee of the Launch Committee consisting of up to 10 members, representing a diversity of sectors, and
 - Assisted by a less than quorum of the WEM Governing Body and CAISO Board of Governors serving as liaisons
 - BOSR or state regulator representative



Formation Committee (cont.)

- Develop detailed plan (including scope, schedule, and cost) for transition from Step 1 oversight to Step 2 oversight
 - Coordinate with CAISO on cost-of-service study for initial RO
- Commence RO pre-launch implementation efforts
 - Development of Bylaws, Articles of Incorporation, Charter, etc.
 - Develop initial budget estimate for RO, to include:
 - Staffing estimates
 - Evaluate what, if any, contingency reserve would be appropriate for the RO in Option 2.0
 - Conduct additional market research and obtain specific insurance quotes for the RO; the need for specific forms of insurance depends on the terms of the contract between the RO and the CAISO, including any indemnification provisions.
- Finalize Nominating Committee process and procedure for RO Board selection
- Coordinate with CAISO on development of initial tariff language for the RO



Formation Committee (cont.)

- Coordinate with CAISO on development of initial language for service level agreement between CAISO and RO
- Develop position descriptions for RO Board members and initial RO staff
- Select executive search firm for RO Board and staff selection process
- Coordinate with consumer advocates and scope the Consumer Advocate Organization (CAO)
- Identify the appropriate scope of work and organizational structure for the Office of Public Participation (OPP) including budget and staff
- Finalize RO stakeholder process including remand process for “significant opposition”
- Create an initial list of stakeholder initiatives for RO Board consideration to be included in the RO’s Catalog as a potential roadmap to enable continued incremental evolution to the RO



Legislation

- The California legislative process will commence in early 2025, with February 21 scheduled as the last day for bills to be introduced
- While the Launch Committee's charter does not permit its engagement in legislative advocacy, several California stakeholders – including past opponents of regionalization efforts – will be engaged
- Successful legislation would be designed to authorize the CAISO and California IOUs to participate in energy markets managed by the new RO, rather than the CAISO, but will not control RO formation or participation by other entities (including California POU) in those markets
- The Legislature could enact a bill at any time during the legislative session but not later than September 12, 2025



Continued Stakeholder Engagement Opportunities

- The Formation Committee will actively seek public comment on its activities as part of its periodic updates facilitated through the Launch Committee processes through public meetings.
- Meeting cadence and schedule is being developed and will be communicated out to stakeholders in January
- The Formation Committee will also seek additional opportunities for stakeholder feedback, input, and engagement where appropriate, and may utilize work groups on topics that would benefit from broader engagement, similar to the Phase 2 work groups.
- Public meetings will continue to be recorded and materials will continue to be housed on the WIEB landing page.
- The Launch Committee can continue to be reached via pathways@westwidepathwaysinitiative.org and all comments can be directed to comments@westwidepathwaysinitiative.org.

