



September 13, 2023

RE: Path to electricity market inclusive of all western states, with independent governance

To Whom it May Concern:

We are excited and encouraged by the [July 14 proposal](#) (States Letter) and subsequent [August 29](#) (Pathway Initiative) request for input on this opportunity to create an independent entity for western market services. A “common commitment” to maximizing benefits for consumers through a West-wide market footprint is a significant statement and we are happy to see this commitment to regionalization.

Since the initial letter was released, we have engaged numerous stakeholders on this topic and have received the following positive feedback regarding this proposal:

- **Stakeholder Engagement:** There is a strong desire for a transparent process that includes the diverse interests of western stakeholders. We were encouraged by the comments from regulators at the EDAM Forum that their goal is to create an entity that has active stakeholder involvement. We believe this is the best way to create an effective organization built on trust and will gain the most buy-in from other states.
- **Maximizing Customer Benefits:** The letter identifies maximizing benefits for customers as the goal for the new entity and future market services it will provide. This sends a clear message that market decisions should be driven by and be able to demonstrate those benefits. It also signals a clear understanding of the sense of urgency for regionalization efforts to maximize benefits through expanded market services.
- **Regional Collaboration:** We are pleased by the interest and participation from states across the West. We believe that such active participation will enable a structure that meets the varied needs of each state while maximizing the diverse set of resources in the West. The letter also acknowledged that inclusion of California is critical for the success of a fully integrated market. We are pleased to see California taking an active role in these discussions and encourage that to continue.
- **Transparency and Information Sharing:** A successful governance structure and pathway to an RTO is one built on transparency and access to all available information to make the most informed decisions. As this is a collaborative process, it is critical that all interested parties are informed and kept abreast of any developments. We are encouraged by the open invitation to engage, share ideas, and brainstorm with other stakeholders in this process.

The Challenge

The West-Wide Governance Pathway Initiative is an evolution of previous regionalization efforts, but it is important to note that the conversations and concerns that took place in previous efforts are not the same ones that we face today. Our states, stakeholders, economy, and infrastructure look different. As a result, this effort should consider these changes to build upon previous work done and complete additional analysis that reflects what we see today.

Large commercial and industrial customers face very real barriers to expansion in the West in the absence of an organized wholesale market that can provide affordable, reliable, and cleaner energy. A centralized market offers the ability to lower costs by unlocking the full potential of existing generation and decreasing costs. Thus, more efficient use of the existing system provides the greatest financial benefit to customers large and small.

Moreover, climate change has created severe weather patterns and catastrophic disasters across the globe. Eighty percent of the population in the West lives in a place with clean energy goals and without a fully integrated market, we will be unable to meet those goals.

The clock is ticking to create a western-led energy market. Investor-owned utilities in two states in the West (Nevada and Colorado) are mandated to join an RTO by 2030 and need a clear path to get there. If this effort to develop a new, separate, independent entity is going to succeed, there must be a plan in place as soon as possible.

Threshold Questions

Our understanding is that the goal of this effort is not to create a Regional Transmission Organization by January, 2024 but to create an entity that can evolve into one if and when western states are ready to do so. We also assume this entity will be a public utility as defined in the Federal Power Act with Section 205 filing rights. As we read the original letter, this effort and resulting entity should include the following characteristics:

- Market serves all states in the Western Interconnect
- Governance representation from across the West
- Provide full range of RTO services through contract with CAISO
- Avoid duplication of investments and expenses of market infrastructure already created
- Avoid deterioration of benefits of EIM and EDAM
- Avoid fractured western market

The fundamental question is, how do we do that? Certainly there must be representative stakeholder groups formed to guide the work; other comments provide recommendations to that end. However, we believe there is some essential research and analysis that needs to be conducted at the earliest stages of this process to ensure there is a viable path forward that is worth what will be a significant investment of time and resources from stakeholders in the West.

To date, efforts to create a western market that includes California have been focused on legislative efforts in California to change the governance structure of CAISO. While the Pathway Initiative takes a different approach driven by the region instead of one state, there is still an open question as to whether legislation in California is needed to enable the creation of an entity with the above characteristics.

We recommend the following next steps:

- Identify a lead organization that can hire consultants including a facilitator, legal counsel and technical research. The Western Interstate Energy Board through the Committee on Regional Electric Power Cooperation could be ideal, given its membership of states and its Department of Energy funding.
- Conduct an analysis of previous CAISO governance expansion efforts including the 2015 EIM Transitional Committee [Straw Proposal](#) and the CAISO Governance Review Committee's [2021 Governance Review](#). Each of those efforts looked at various aspects identified in the States Letter and it will be important to understand what barriers and opportunities have changed and how this current effort might build upon that previous work.

- Using the list of characteristics above, conduct an analysis of what is possible and what it will take to get there. With 2030 as the set timeframe for RTO participation for utilities in two western states, it is not unreasonable to set that as a goal. There are several technical and law firms that could conduct this work, with opportunities for stakeholder input throughout. Those engagements should happen as soon as possible.

We believe these analyses are imperative to decide on the “form, mission, and scope of an entity with independent, West-wide governance,” as called for in the Pathway Initiative. They will demonstrate the feasibility of this effort and give stakeholders clear direction and tasks to focus on that will make real progress toward an independent, West-wide market operator.

The signatories intend to sign additional letters submitted by other stakeholders. We would like to express our support for the content of these letters as they focus on and contribute to other elements of the Pathway Initiative that need consideration.

We look forward to continuing to engage in the process and capitalize on the progress that has already been made towards regionalization. We recognize that the success of this process lies in a representative structure that paves the pathway for continued market collaboration to maximize benefits for customers. We remain committed to helping you lead a transparent, accountable, action-oriented process with stakeholders across the West.

Thank you for your consideration.

Sincerely,

Kathleen Staks
Executive Director
Western Freedom

Tim McRae
Senior Vice President, Sustainable Growth
Silicon Valley Leadership Group

Michael Colvin
Director, California Energy Program
Environmental Defense Fund

Alex Jackson
Director, California State Affairs
American Clean Power Association

Mark Specht
Western States Energy Manager
Union of Concerned Scientists

Brady Van Engelen
Policy Advocate on Energy and Climate
California Chamber of Commerce

Melissa Romero
Senior Legislative Affairs Manager
California Environmental Voters