



West-Wide Governance Pathways Initiative

Dear Stakeholders,

Thank you for your interest in the Pathways Initiative. This package of information represents the Launch Committee's recent work to evaluate different options to achieve the original goal of the Pathways Initiative: creating a new entity with an independent governance structure capable of offering an expansive suite of West-wide wholesale electricity market functions across the largest possible footprint. It is based primarily on ideas and input from the Launch Committee members, input from stakeholders in October and January, discussions and analysis from outside legal counsel, and technical input from CAISO staff.

The Launch Committee welcomes all input, feedback, and suggestions from stakeholders on the straw proposal and legal memo. This document is designed to provide guidance to the reader about some of the terminology and key areas for stakeholder feedback.

Terminology

The straw proposal uses the terms "phase," "options," and "steps" to identify different parts of the work. The explanation below provides guidance about what those terms refer to in the context of the Pathways Initiative.

What is a Pathways "Phase?"

Early Pathways [documentation](#) established "Phase 1" of the initiative with the following objectives:

- Determining the "form, mission, and scope of an entity with independent, West-wide governance"
- Producing a charter to guide the operation of the independent entity
- Identifying founding board members
- Establishing a new non-profit entity as a Regional Organization

Initially, participants anticipated completing these tasks by January 2024. Following the seating of the Board of the new Regional Organization, Phase 2, the "implementation" phase, would begin.

As stakeholders and the Launch Committee have worked together, this expectation proved more aspirational than realistic. We have retained the original designation of Phases, however, designating Phase 1 as concluding with a final Step 1 proposal and a revised Step 2 proposal in early June 2024. Phase 2 will encompass moving to implementation of the Step 1 design and further development of the Step 2 design, and the Launch Committee anticipates concluding in



West-Wide Governance Pathways Initiative

early fall of 2024. Phase 3 will then begin, finalizing Step 1 implementation and completing the design and proposed timeline for implementation of Step 2.

What are Options?

The Launch Committee began consideration of possible designs for an independent governance structure in late 2023. Recognizing that there is a spectrum of possible approaches, the Launch Committee bookmarked certain “options” – Option 0, 1, 2, 3, and 4 – on that spectrum to facilitate clearer understanding of the spectrum. The Options have proved useful in orienting discussions around certain types of design, but too restrictive in considering the more nuanced differences in design along the spectrum. Consequently, the Launch Committee has used Options in developing the materials provided to stakeholders on April 10, 2024, but intends to move away from these labels as we move forward.

What are Steps?

Initially, the Launch Committee contemplated developing a single, durable design for independent market governance. As the Committee moved through options, and in response to January 12, 2024, stakeholder comments, the Launch Committee reoriented its work around an incremental or “stepwise” approach. This approach envisions three steps:

- Step 1: Progressing independent governance of the existing WEIM/EDAM Governing Body within the current CAISO structure in a way that presents little or no California legal risk.
- Step 2: Moving out of the existing governance structure by establishing a new, independent Regional Organization to govern and oversee regional energy markets and potential future services.
- Step 3: Taking the independent market structure further toward a full RTO.

The Launch Committee’s scope of work includes Step 1 and Step 2. It has considered the need to avoid barriers to Step 3 in developing a Step 2 design but has not included in its scope progressing a Step 3 design.

The Launch Committee envisions a path toward a new organization that can govern a full suite of market and associated services. The goal is to create an entity that can evolve and adapt to market independence as Western utilities, states, and other stakeholders identify new market services and offerings necessary to bring efficiencies and meet the various statutory, regulatory, climate, and other requirements that currently exist and will develop in the future. We will not start with this end product; rather we follow the incremental journey that the West has been on, starting with a first step, followed by more steps that will get us there.



West-Wide Governance Pathways Initiative

Key Areas for Feedback

The Launch Committee has identified several specific areas and items that would be particularly valuable to receive input to help refine and advance the Launch Committee's work. There are additional areas identified throughout the straw proposal as well.

1. *Step 1:* Step 1 is the first step toward fully independent governance of the markets. Recognizing that Step 1 is the result of stakeholder suggestions and support for a stepwise approach that demonstrates early commitment to the ultimate goal with a substantive increase in market independence, **please provide input on support or concerns for Step 1 as it is proposed.**
2. *Step 2 - Full Governance Independence:* The Launch Committee focused its work on evaluating and comparing Options 2 and 2.5. Both options give a new independent Regional Organization (RO) the sole authority over the regional market services that the CAISO currently offers or will offer (WEIM and EDAM), as well as the design and decision-making (governance) over any future tariff changes to those market rules and additional regional market services. In this context, the Launch Committee is looking at governance independence as the authority over the entire process for designing and filing changes to the market rules in the tariff. Both options propose a relationship with the CAISO likely either through an interface agreement (Option 2) or contract for services (Option 2.5) for execution and delivery of market services that includes some level of corporate protections for the CAISO as an institution. **Please provide input on whether and how this level of governance independence would create opportunities or challenges for your organization and the broader Western region.**
3. *Step 2 - Institutional Independence:* There are tradeoffs between Options 2 and 2.5 related particularly to the amount of institutional independence the new Regional Organization (RO) will have and the amount of responsibility and liability the organization would have to take on, both of which could increase costs. In this context, the Launch Committee is looking at institutional independence as how deep the organizational separation between the RO and the CAISO goes, including things like staffing, markets contracts, and legal and compliance obligations. **Please provide input on whether and how these varying levels of institutional independence and responsibilities would create opportunities or challenges for your organization and the broader Western region.**
4. *Unexplored or new options:* As described in the straw proposal document, the Launch Committee chose not to explore several of the options it originally identified. In



West-Wide Governance Pathways Initiative

addition, there may be other potential structures that the Launch Committee has not pursued, in part because of the scale and effort Options 2 and 2.5 took to develop so far. If you have ideas that the Launch Committee should consider that could potentially achieve the goal of the Pathways Initiative and meet the evaluation criteria the Launch Committee is using, **please provide structural ideas with as much detail as possible.**

5. *Other considerations:* Especially for Step 2, there are many outstanding questions and considerations that the Launch Committee will need to explore before coming up with a final recommendation. **Please share any questions and considerations that you would like the Launch Committee to address in its work to refine and develop a recommendation, including legal risk and analysis.**

The Launch Committee is hosting a public stakeholder meeting on April 19 from 10-12 PT/11-1 MT/12-2 CT/1-3 ET to explain the straw proposal and answer questions.

Written comments and questions are due on May 8. Please submit comments via email to **Comments@WestWidePathwaysInitiative.org.**

Thank you in advance for your time and feedback. We look forward to receiving your comments and ideas.