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Regional Electricity Markets and Coordination Workshop

Additional submitted attachment is included below.



February 05, 2025

California Energy Commission
Docket Office, MS-4
RE: Docket No. 24-IEPR-01
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.ca.gov

RE: Wyoming Energy Authority's Comments on the California Energy Commission's Workshop on the Regional Electricity Markets and Coordination Workshop

Dear Commissioners and Other Stakeholders,

The Wyoming Energy Authority (WEA), Wyoming's energy office, appreciates the opportunity to provide comments to the California Energy Commission (CEC) regarding the Step 2 Proposal crafted by the West-Wide Governance Pathways Initiative in relation to the formation of a new Regional Organization (RO) that would have governing authority over the Western Energy Imbalance Market (WEIM) and the Extended Day Ahead Market (EDAM). The WEA seeks to ensure that the evolving governance structures foster a fair, transparent, and efficient electricity market that benefits all stakeholders across the Western Interconnection.

Background of the Wyoming Energy Authority and Energy in Wyoming

The WEA was created in 2020 through the merging of the Wyoming Infrastructure Authority, the Wyoming Pipeline Authority, and the Wyoming State Energy Office. The WEA has an interest in a wide array of energy issues within the State, across the region, and around the country. One such issue includes the formation of an independent body to establish market rules for a day-ahead market in the Western Interconnection. WEA has been closely following the developments of the Pathways Initiative, as well as the decisions of the utilities as they have considered the options of joining CAISO's market services or the Southwest Power Pool's (SPP) services. In particular, WEA realizes that with PacifiCorp's long-term participation in the WEIM and first-mover to commit to the EDAM combined with Black Hills Energy's (dba Cheyenne Light, Fuel & Power) decision to join the WEIM, Wyoming's attention will be more focused on the evolution of CAISO's market offerings with the potential to expand to a RO. The WEA understands that the evolution of these markets and their respective governance and market designs will impact Wyoming energy producers, Wyoming ratepayers, and economic development in our state.

Wyoming is an electricity and energy exporting state, a top exporting state of legacy minerals such as oil, gas, and coal, and a top exporting electricity state. According to the latest Energy Information Administration (EIA) data, in 2023, Wyoming was the number one state in the Western Interconnection for electricity exports (Appendix 1). With its vast portfolio of



resources to produce electricity ranging from our legacy industries to provide critical baseload and dispatchable electricity, such as coal and natural gas, to the State's bountiful intermittent resources, such as wind and solar, to promising emerging industries like advanced nuclear, Wyoming plays an integral part in providing reliable electricity for markets across the western states. As a preeminent electricity producer and exporter in the West, Wyoming has a keen interest that market designs are insulated from policy preferences of any one state or entity and that market rules and designs are fair, transparent, and promote electricity adequacy and reliability. At a time of historic load growth demand, energy producers and energy consumers alike need certainty that electricity will continue to be affordable and reliable to support economic development. To meet critical reliability and capacity measures, Wyoming's energy producers and utilities need the assurance that any market they participate in creates a fair and equitable playing field.

As such, the WEA would like to address some concerns with the current status of the Pathways Initiative as it pertains to the governance proposals for WEIM and EDAM. The WEA understands that the approach the Pathways Initiative has chosen to take is an incremental one. However, practices, rules, and designs implemented at the outset of a new RO will lay the foundation and precedent for market operations in the future. It should be of great importance for all stakeholders in the process to ensure practices and precedents implemented now and when the RO is formed, create an effective path forward conducive to establishing trust, and creating suitable market operations. Even near-term independence is critical to the success of this proposal. To ensure true independence and proper market design, the WEA suggests the relevant entities throughout the West give further scrutiny and consideration to the following items:

California General Assembly Legislation

One of the WEA concerns relates to the pending legislation in the California General Assembly. The WEA understands that this is not the first time that legislation has been attempted in the California General Assembly to establish independence for the CAISO Board of Governors. The WEA also understands that historic opponents, such as California labor groups, are now in support of the current version of the legislation. Lastly, the WEA appreciates the "seven guardrails" that were identified by California labor on the Workshop call on January 24, 2025.

However, as is common with all legislation and as discussed in the Workshop, any proposed legislation will likely be amended through the legislative process. As such, for the sake of transparency and common understanding, the WEA feels strongly that stakeholders should consider and publish a clear outline of what must be included in the legislation and what must not be included in the legislation upon passage to ensure true political independence of the RO is established and to ensure any market designs and market rules are fair and transparent. This is important to ensure that the RO is free from undue influence by any single entity or stakeholder group and to guarantee that energy producers, electric utilities, and consumers alike are not ultimately under or over-represented by changes to the legislation during the legislative process.



Concerns about Shared Staffing Between Governance Body and CAISO

The Pathways Initiative proposal for shared staffing between the new RO and the CAISO raises concerns about potential conflicts of interest and, ultimately, the dilution of the Governance Body's independence. Although the WEA values and appreciates the contribution of everyone at the CAISO, shared staffing could lead to undue influence over governance decisions and compromise the impartiality needed for effective oversight and market rule promulgation and implementation. A firm partition of these activities and staffing is in the best interest of all participating entities. Even if decisions are temporary as part of "Step 2," anything being implemented in the early stages of the RO will have long-term impacts and create a precedent for the market operation moving forward. To address these concerns, the WEA recommends establishing distinct and independent staffing for the Governance Body as soon as possible to avoid conflicts of interest.

Market Design Deficiencies and Indicative Voting

The proposed steps to implement the market design, particularly the creation and evolution of the Formation Committee, voting members of the RO and their selection, and the use of indicative voting, also present some concerns. As indicated during the Workshop, due diligence, thorough consideration, and full transparency are necessary for the selection of the members of the Formation Committee and Nominating Committee. These members will ultimately have a significant voice in the appointment of members of the RO and their work with the CAISO to spinoff governance responsibilities to the new RO. These newly chosen members selected by the Nominating Committee who are chosen by the Formation Committee will, in turn, also have significant influence over the future market operations of the EDAM and the continued operations of the WEIM. The WEA strongly believes that proper representation and consideration of the Formation Committee, Nominating Committee, and RO of states that are net electricity exports and represent geographic diversity, like the Intermountain West, would add compelling viewpoints for adequate market design and operation. Minimally, the WEA recommends greater transparency in this formation process.

Furthermore, upon the formation of the RO, equal influence in market design and operation for all states participating in the market is necessary. Although this is attempted through a Public Policy Committee, the Step 2 proposal seems to be lacking specifics on the composition and authorities of this committee. Inherently, the CAISO being both a balancing authority and market operator under this proposal will create conflicts and even possible confusion among stakeholders and participants as to when the CAISO is acting in its Balancing Authority (BA) or its market operator role. Further consideration should be given to ensuring an equal playing field for market participants.

In addition, although indicative voting is an attempt at transparency and gauging stakeholder sentiment, it is not binding and may not thoroughly and properly reflect the sentiments of stakeholders acutely affected by decisions of the RO and corresponding market rules. Furthermore, while it may capture opposing or minority views, indicative voting could lead



to more disagreements and differences of opinion, especially among varying entities such as public power, investor-owned utilities, and power marketing agencies, all of which have different regulatory, financial, and customer obligations. The WEA believes that for the RO to arrive at market rules and decisions that accurately reflect the sentiments of stakeholders, the RO should reconsider their voting mechanisms, increase transparency of the formation committee, reevaluate the criteria for selection to the governing body of the RO, and continue to fine-tune the decision-making structures of the RO.

Conclusion

In conclusion, the WEA appreciates the opportunity from the CEC to submit comments regarding the evolution of the Pathways Initiative. The WEA believes that with further attention to the aforementioned concerns, the process can create a more transparent governance structure while building trust among stakeholders across the West, ensuring greater independence, minimizing outsized influence from any one entity in the market, avoiding conflicts of interest, and enhancing market design. Attention to these considerations will be crucial to the success of this initiative and the broader energy market.

Thank you for your attention to these important matters. We look forward to continuing to work collaboratively to achieve a fair and efficient energy market for all stakeholders.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rob Creager", with a stylized flourish at the end.

Rob Creager

Executive Director

Wyoming Energy Authority



Appendix 1

Net Interstate Trade in Western Interconnection (MWH) 2023

State	Category	Year 2023
Wyoming	Net interstate trade	24,029,909
Arizona	Net interstate trade	21,510,386
Montana	Net interstate trade	9,955,583
New Mexico	Net interstate trade	9,318,601
Nebraska	Net interstate trade	3,798,288
South Dakota	Net interstate trade	3,204,487
Nevada	Net interstate trade	1,904,778
Oregon	Net interstate trade	355,705
Colorado	Net interstate trade	-1,018,485
Washington	Net interstate trade	-1,170,693
Utah	Net interstate trade	-1,901,863
Texas	Net interstate trade	-9,385,209
Idaho	Net interstate trade	-9,700,546
California	Net interstate trade	-43,244,434