

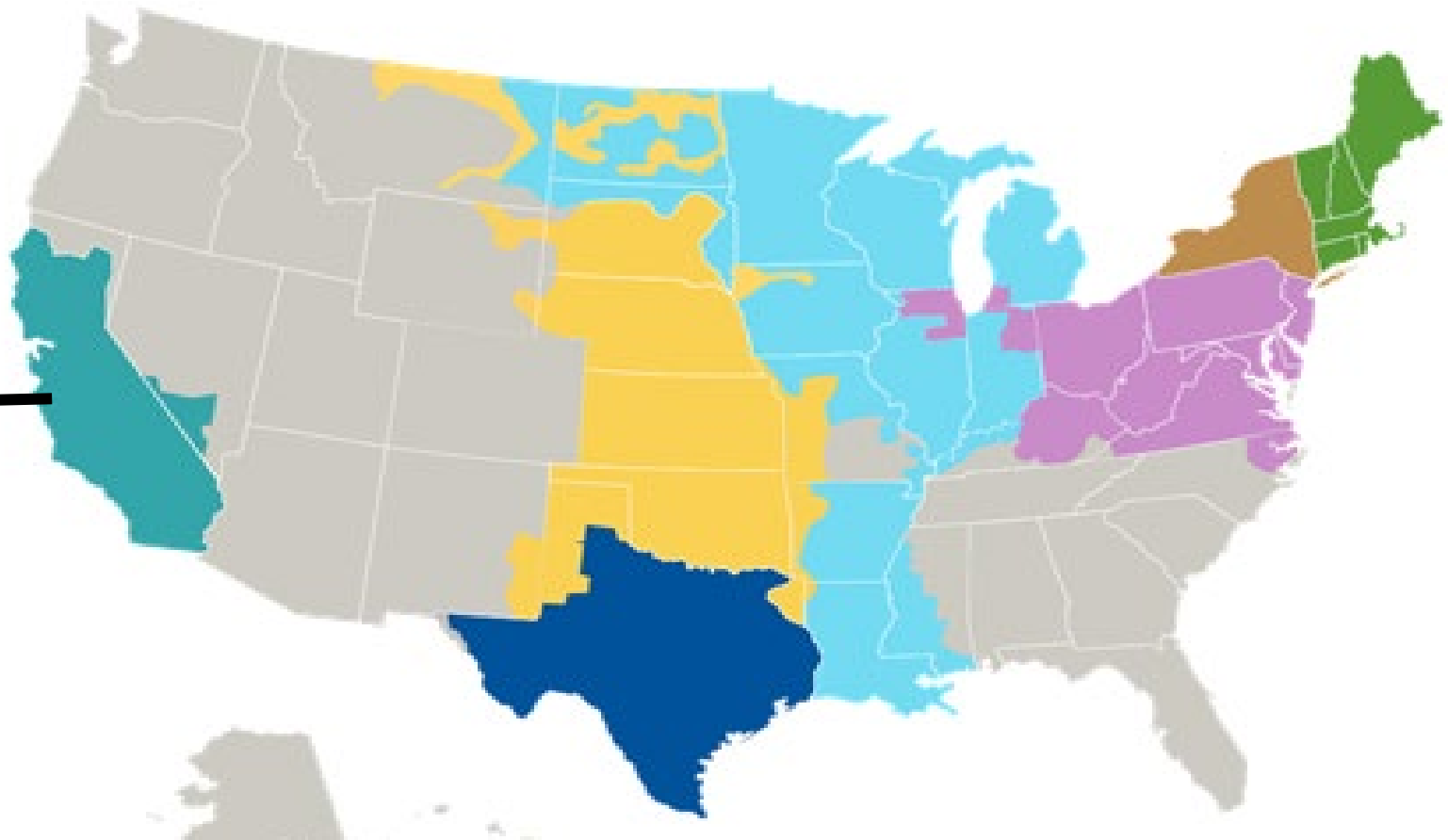
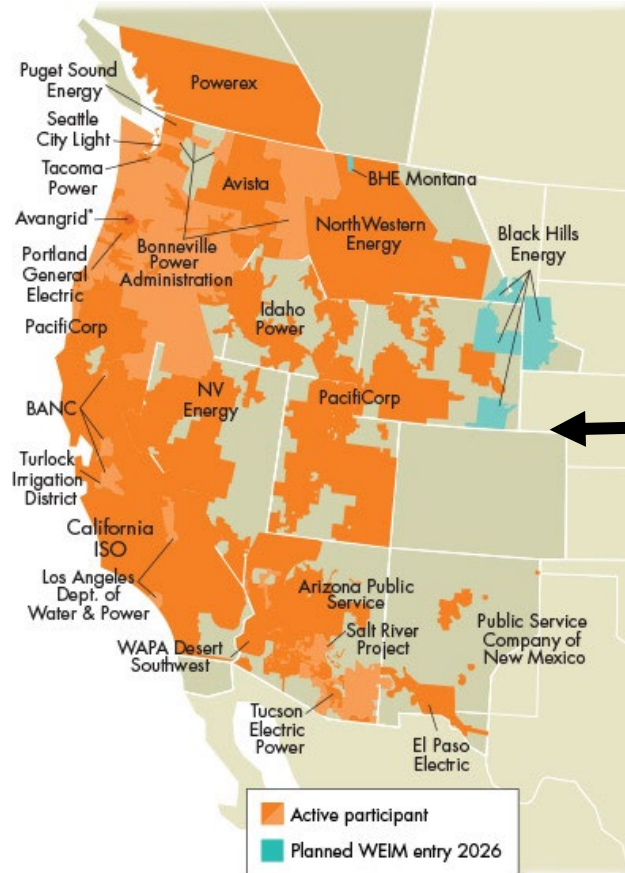


# Pathways Initiative

**Senate Energy, Utilities and Communications Committee - Oversight Hearing**

March 12, 2025

# Electricity Markets Across the U.S.



# Primary Roles in Energy Supply Planning and Services

CARB



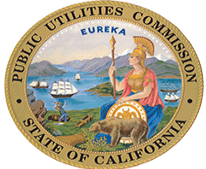
- Scoping Plan
- Air Regulations
- Carbon Market/Cap-and-Trade

CEC



- California Electric Demand Forecast
- Municipal Utility Renewable Portfolio Standard (RPS) Oversight

CPUC



- Integrated Resource Planning (IRP)
- Resource Adequacy (RA)
- Load serving entity RPS Oversight

CAISO



- Market Operation
- Transmission Operation and Generator Dispatch
- Transmission Planning

Private & Public Load Serving Entities (examples)

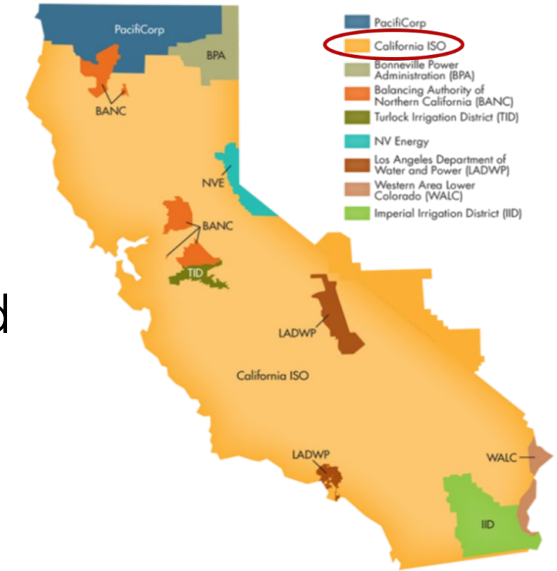


- Over 80 entities serve electric load in California
- Compliance with IRP, RA, and RPS Requirements

# CAISO – Core Balancing Area Functions

Within its balancing authority area, the CAISO:

- Maintains supply reliability on the transmission grid
- Manages new energy resource interconnection to transmission grid
- Oversees the transmission planning process
- Coordinates with CPUC & CEC on SB 100 (2018) implementation



# CAISO – Oversight

Comply with

**NERC**

North American Electric  
Reliability Corporation

Regulated by

**FERC**

Federal Energy  
Regulatory Commission

The ISO is regulated by the federal government because management of interstate transmission lines falls under federal jurisdiction.

Part of

**WECC**

Western Electricity  
Coordinating Council

Governed by a

**FIVE**

member board  
Governor appointed,  
Senate confirmed

# CAISO – *Board of Governors*

The CAISO Board of Governors reviews and approves the annual CAISO budget, shapes policies, and approves annual transmission plans.

- Appointed by Governor of California
- Confirmed by California Senate
- Independent of market participants



Jan Schori



Mary Leslie



Severin  
Borenstein  
*Chair*



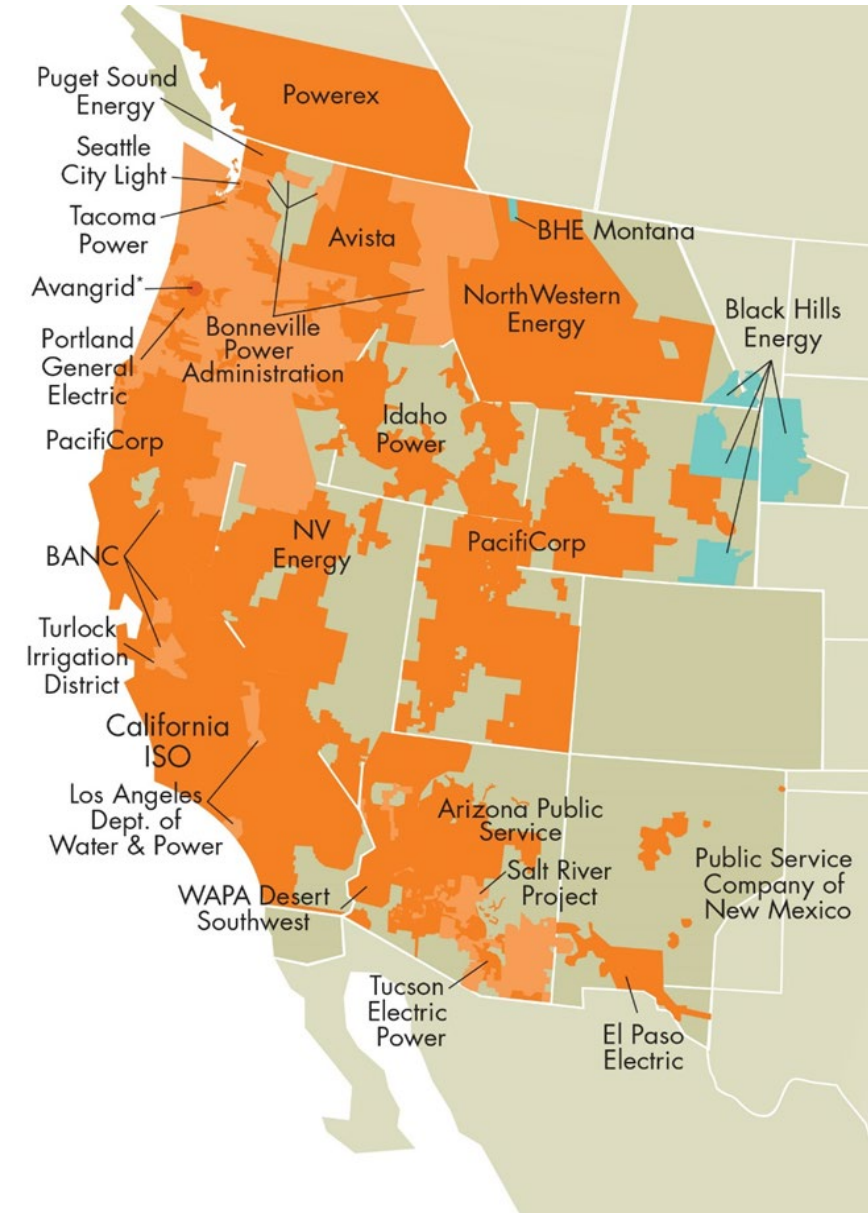
Angelina  
Galiteva



Joe Eto  
*Vice  
Chair*

# CAISO – *Regional Energy Markets*

- CAISO operates the Western Energy Imbalance Market (WEIM) that allows participants to buy and sell electricity in **real-time**.
  - Launched in 2014 – now with 21 participating utilities outside of CAISO across ten Western states
  - WEIM has generated nearly \$7 billion in gross financial benefits
  - Real-time optimization also delivers significant reliability and environmental benefits to the West
- CAISO will also operate the Extended Day-Ahead Market (EDAM) that will optimize energy resources in the **day-ahead timeframe** across the West.
  - EDAM set to launch in 2026



# CAISO – WESTERN ENERGY MARKET GOVERNING BODY

WEIM and EDAM are governed by a five-member body with delegated authority from the CAISO Board of Governors on rules specific to participation in these markets.

- Designed by regional stakeholders
- Nominated by a committee of western stakeholders
- Financially independent from market participants



Andrew  
Campbell



Rebecca  
Wagner  
*Vice Chair*



Rob  
Kondziolka  
*Chair*



Anita  
Decker



John  
Prescott



# Origins of the Pathways Initiative

- Continued evolution of markets from real time to day-ahead unlocks more consumer benefits.
- A West-Wide market with a footprint that captures the largest resource, and geographic diversity maximizes economic and reliability benefits to all consumers.
- This requires a new framework centered around shared values across the West:
  - Affordability & Reliability
  - Maximum Consumer Benefits
  - Independence & Autonomy
  - Optionality & Flexibility
  - Equitable Representation

# Origins of the Pathways Initiative

**July 2023:** Letter from state energy regulators representing CA, WA, OR, NM, AZ to the Western Interstate Energy Board

**Fall 2023:** Formation of the Launch Committee to develop proposals towards independently governed regional market centered around shared values

# Pathways Initiative – *Stepwise & Incremental Proposals*

**Step 1.** Greater authority for market decisions under existing CAISO governance structure

1. Elevate authority of WEIM Governing Board to “primary authority” over market functions.
2. Modify current dispute resolution process to “dual filing”. CAISO board retains sole FERC filing rights for exigent circumstances.
3. Incorporate public interest safeguards in WEIM GB charter
4. Implementation triggered by 70 percent of CAISO load joining EDAM

**Step 2:** Independent regional organization with sole authority over market

1. Sole authority over market design and decision-making
2. Gives sole Section 205 filing rights
3. CAISO responsibility for administration of a single, integrated tariff and market operations
4. Create various pathways for services beyond market governance

# Recent State Study Shows Benefits to CA

## Incremental benefits of expanding the EDAM footprint

- Cost savings:
  - Up to \$790M in total system cost savings compared to currently projected EDAM footprint
  - Renewable curtailments fall 10%
- Environmental:
  - GHG emissions and local air pollution decline up to 11% in state
- Reliability:
  - More available resources (market supply cushion) during the 100 tightest hours of the year
  - Substantial decrease in hours at risk of outages West-wide during stress conditions

# Preserving the Public Interest

- **Regional Organization's Public Interest Foundation**
  - 1) The Regional Organization would be formed to serve customer interests, including cost containment and reliability.
  - 2) The Regional Organization would respect the authority of states to set their own procurement, environmental, reliability and other public interest policies.
- **Public Interest Recommendations in Step 2 Proposal (non-exhaustive)**
  - Include public interest in Regional Organization corporate documents.
  - Expand the Body of State Regulators' current role from the WEIM to the RO.
  - Use transparent decision-making processes including open public meetings.
  - Create a new, independent Consumer Advocate Organization.
  - Create a new Office of Public Participation within the Regional Organization.



# Thank You!

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