October 25, 2025

West-Wide Governance Pathways Initiative
Comments on Step 2 Draft Proposal
Submitted by: Leapfrog Power and the California Efficiency + Demand Management Council

INTRODUCTION

Leapfrog Power, Inc. ("Leap") is a demand response provider (DRP) founded in 2017 and headquartered in San Francisco, California. The company provides Demand Response (DR) services to residential, commercial, industrial, and agricultural customers throughout the state of California. Through its technology platform, Leap enables distributed energy resource (DER) providers in California to provide grid flexibility, delivering revenue for their customers and integrating additional demand-side resources into the California electricity system. Leap is a registered DRP, as well as a registered Scheduling Coordinator, with the California Independent System Operator Corporation (CAISO).

The California Efficiency + Demand Management Council ("CEDMC") is a trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California. Our member companies employ many thousands of Californians throughout the state. They include energy efficiency (EE), DR and DER service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and energy efficient product manufacturers. The Council's mission is to support appropriate EE, DR, and DER policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

Leap and CEDMC appreciate the time and attention to detail that went into the development of the Step 2 draft proposal for the West-Wide Governance Pathways Initiative ("Pathways"). Overall, Leap and CEDMC feel that the process by which the Pathways Launch Committee developed this draft proposal was thoughtful and inclusive, and we commend the Pathways team for organizing a robust series of working groups to ensure that all stakeholder feedback was collected. These comments are mostly focused on the sixth question in the Stakeholder Comment Template around the sector representation in the Stakeholder Representatives Committee (SRC), which Leap and CEDMC broadly support.

SECTOR REPRESENTATION

Leap and CEDMC are encouraged to see that the Pathways' updated Sector Proposal maintained a sector category on the SRC for DERs. As Leap has expressed in working groups, DERs are a fast-growing subset of electricity market participants whose priorities have enough divergence from those of traditional market participants to

justify a separate sector. This is consistent with the industry literature that Pathways reviewed in developing their proposal, particularly the 2021 journal article by Lenhart and Fox, which states:

Smaller and more numerous sectors are likely to have more homogeneous [similar to each other] interests, allowing these sectors to represent participating and non-participating stakeholders more effectively. More homogenous sectors also promote transparency. Also, sector definitions may encourage or discourage certain stakeholders from participating in RTO processes either actively through provisions that rule out participation **or passively by requiring participation in a sector with misaligned interests**[1] (emphasis added).

The last risk identified by Lenhart and Fox, that Regional Transmission Organization (RTO) stakeholder participation might be discouraged if parties are forced to participate in sectors with misaligned interests, would likely occur if DER companies were included in a broader sectoral designation that also included traditional generators. Although there are certainly areas where DER interests intersect with other supply-side resources, the *priorities* of these stakeholders groups are frequently different, to the point where there would be little agreement between them around which policy initiatives are most important for the Regional Organization (RO) to pursue. This issue was clearly demonstrated in the stakeholder survey that CAISO created for its draft 2024 Policy Catalog. In this survey, several policy proposals that were designated a "highest priority" by a majority of DER stakeholders were actively opposed by traditional energy suppliers.[2]

Because the RO will have limited resources to pursue discretionary policy initiatives, the relative priority that different stakeholders (and sectors) give specific initiatives is incredibly important. Although the DER sector is growing quickly, these stakeholders are generally less numerous and/or influential than traditional generators. If DER stakeholders are required to participate via a broader sector representing all supply-side actors, it could create a situation where the SRC sector representing DERs fails to support a key DER priority, because traditional energy suppliers opt to oppose it.

This is especially important considering that, under the proposed structure, the SRC will "work closely with RO staff to catalog and ***prioritize initiatives***, define problem statements, and develop solutions" (emphasis added).[3] It's also possible that, if DERs are part of a broader supply-side sector, their voting may not clear the threshold needed to trigger a remand for a policy initiative that's deleterious to their business. This demonstrates that, even in a system where voting occurs at the individual entity level, DER companies' ability to represent their interest would likely suffer in a situation where they were part of a broader sectoral designation.

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[1] Lenhart, Stephanie and Dalten Fox, December 2021, *Participatory democracy in dynamic contexts: A review of regional transmission organization governance in the United States*, Energy Research & Social Science 83 (2022) 102345, page 11.
[2] California ISO, *2024 Final Discretionary Policy Initiatives Catalog*, 18 July 2024, p. 14.
[3] Launch Committee Step 2 Draft Proposal, 26 September 2024, p. 72.

AUTOMATIC REMAND

Although Leap and CEDMC support the inclusion of a DER sector in the Revised Sector Proposal, we are concerned about the decision to eliminate the automatic remand process. With voting proposed to be only advisory, the original structure of the Step 2 proposal already allocates a significant amount of power to RO staff over stakeholders. Removing the automatic remand mechanism eliminates a key measure preventing RO staff from moving forward with initiatives that are opposed by a majority of stakeholders, making it less likely that staff will appropriately weight stakeholder concerns.

Rather than eliminate the automatic remand, it would be more appropriate to selectively apply it if the number of votes on a particular initiative fails to clear a pre-defined threshold. This would protect against minority views triggering a remand on issues with low voter turnout, while ensuring that a remand can still be triggered automatically on especially impactful issues (which would likely have higher voter turnout anyway). A vote threshold could be set as a percentage of total stakeholders engaged in the RO, which could be determined by summing up the number of stakeholders that belong to each sector on the SRC.

For example, if each SRC sector has 20 stakeholders, then the vote threshold could be set at 90 votes, or 50% of the total stakeholders across all nine sectors. In this case, if an initiative receives less than 90 votes, then the automatic remand would be removed (although the elective remand would still be maintained and could be exercised if the thresholds for "significant opposition" are met). The exact vote threshold can be deliberated on (it's possible 50% is too high), but Leap and CEDMC encourages that the threshold be set as a percent of all stakeholders rather than a percent of stakeholders in each sector, to prevent any one sector from blocking an automatic remand if a majority of its members abstain from voting.

CONCLUSION

Leap and CEDMC appreciate the comprehensive efforts of the Pathways team in gathering stakeholder feedback and refining the governance proposal. Both organizations strongly support the inclusion of DERs as a distinct sector within the SRC recognizing the unique and growing role that DERs play in California's energy market. Maintaining a separate sector for DERs is crucial to ensuring that their specific interests are represented without being overshadowed by traditional energy suppliers. Additionally, Leap and CEDMC want to express their concern over the removal of the automatic remand process in the Revised Sector Proposal. Retaining this mechanism, with appropriate vote thresholds, would better safeguard stakeholder interests and prevent the RO staff from advancing initiatives that lack sufficient support. By setting a reasonable vote threshold across all sectors, the remand process can remain fair while ensuring that impactful issues receive adequate stakeholder attention and representation.

Respectfully submitted,

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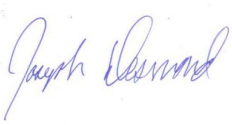

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