

EIM Governance Review Issue Paper and Straw Proposal

Chelan County Public Utility District's Comments

January 18, 2019

Chelan PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan operates three FERC-licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually. Chelan is not an EIM participant but follows EIM development closely as part of its ongoing review of potential market opportunities. Chelan submits these brief comments in response to CAISO's EIM Governance Review Issue Paper and Straw Proposal, published on December 14, 2018. Chelan also supports the Public Generating Pool's and Public Power Council's more extensive comments.

Chelan PUD believes the ideal governance structure for any regional market involves broad representation of those impacted by the market coupled with independence in decision making. From the perspective of a potential market participant, appropriate governance is critical because the governance model determines who develops the market rules. Those market rules in turn determine the allocation of value among all market participants. With a projected footprint extending to ten states, the Western EIM certainly qualifies as a regional market and Chelan evaluates the EIM's governance based on that objective of achieving representative, independent governance.

Chelan recognizes that achieving true top-down independent, representative governance for the EIM—by transforming the ISO Board of Governor's into a regional board—is not within the feasible scope of the CAISO's EIM Governance Review stakeholder process. However, Chelan believes evaluating more moderate changes, including broadening the EIM Governing Body's authority, is still valuable. Chelan also believes evaluating those changes now is timely due to the EIM's continued expansion both in terms of geography and membership, as well as the potential for the expansion of CAISO's day-ahead market to the Western EIM footprint.

Chelan offers the following initial perspective on specific issues raised by the Issue Paper and Straw Proposal:

Expanding the EIM Governing Body's authority

Chelan broadly supports expansion of the EIM Governing Body's primary authority over matters impacting the EIM. Chelan therefore supports the CAISO's proposal to narrowly expand the Governing Body's primary authority, effective early 2019, by extending it to generally applicable real time market rules if the EIM is the primary driver for that rule or rule change. However, Chelan believes the EIM Governing Body's primary authority should ultimately be expanded to cover all real time market rules (with the possible exception of any real time market rules, if any, that only impact the CAISO BAA). Doing so would effectively transform the EIM Governing Body into a real time market governing body. Chelan believes this expansion of authority and

scope is appropriate due to what the CAISO described as the “close functional integration” between CAISO’s broader 5- and 15-minute markets and the EIM. Due to the regional nature of the EIM Governing Body, this change would move the overall governance of the EIM closer towards achieving representative, independent governance.

Improving stakeholder representation and stakeholders’ capability to effectively advise EIM decision making

As the EIM continues to expand geographically and in membership, the EIM’s impact on entities throughout the West will continue to increase. As that impact increases, the need for adequate and equitable representation for all impacted stakeholders becomes even more critical. Chelan believes the current EIM decision making and stakeholder engagement process falls short of offering adequate and equitable representation in two key ways.

First, unlike in other organized markets, there is no stakeholder advisory committee that is empowered to provide feedback directly to decision makers on active market design matters. As a potential solution, Chelan supports providing the Regional Issues Forum with the authority to provide direct input to the EIM Governing Body on market design issues that are part of an active stakeholder process. Chelan remains open to other solutions as well.

Second, Chelan believes the current EIM decision making structure does not provide adequate and comparable representation for public power interests. Public power entities can potentially be impacted by the EIM in many ways, including by being an EIM Entity, owner of an EIM participating resource, operating a neighboring BAA and being a public power entity embedded within an EIM Entity BAA. While both public power and investor owned utilities can choose to submit comments in EIM-related stakeholder processes, and participate in the Regional Issues Forum in an ongoing or ad-hoc manner, investor owned utility customer interests are also represented by the Board of State Regulators. Chelan considers this a disparity in representation. Public power customer interests outside California are at a particular representative disadvantage due to the direct connection between the ISO Board of Governors and California’s policymakers. Chelan requests CAISO include evaluating options to increase public power representation within the scope of the EIM Governance Review. During the review, Chelan supports examining the pros and cons of various potential solutions, including the development of a separate public power body that advises on EIM issues (comparable to the BOSR) and creation of a broader advisory committee which includes public power representation (similar in concept to the Western States Committee considered by CAISO during its evaluation of regionalization in 2016).

Chelan looks forward to working through these important issues with the CAISO and other stakeholders throughout the governance review.

Contact information:

Bryan Bradshaw, bryan.bradshaw@chelanpud.org, (406) 221-7006

Tuuli Hakala, tuuli.hakala@chelanpud.org, (503) 956-3144