

Memorandum

To: Energy Imbalance Market Governing Body

From: Roger Collanton, Vice President, General Counsel

Date: July 6, 2017

Re: Decision on Proposed Amendments to Charter for Energy Imbalance Market Governance (Regional Issues Forum)

This memorandum requires action by the EIM Governing Body.

The Charter for Energy Imbalance Market Governance specifies that after four or five meetings of the Regional Issues Forum, its “role and efficacy” will be reconsidered in light of experience and any changed circumstances. This evaluation process has been completed by the stakeholder liaisons who administer the Forum and they have recommended a number of changes. While many are simply administrative, and have been implemented by the liaisons themselves, two require revisions to the Charter. To implement these Charter revisions, Management proposes amendments to remove the current limit of three meetings annually, and to clarify that the Forum may discuss topics that are the subject of an ISO stakeholder process as long as those discussions do not duplicate or circumvent the stakeholder process. Also, to reflect the completion of this process, Management recommends deleting the Charter provision that required this re-evaluation of the Forum.

The Charter is a Board-approved policy required by the ISO’s corporate bylaws that details the mission of the EIM Governing Body and its delegated authority over certain market rules, among other things. The Charter also establishes the relationship between the ISO and the Body of Regulators (Section 5) and the Regional Issues Forum (Section 6). The Charter assigns the EIM Governing Body a primary role in recommending amendments to the latter two sections. See Section 8 (“Any changes to Sections 5 or 6 that the EIM Governing Body advises the Board to approve will be placed initially on the Board’s consent agenda”). The amendments proposed in this memorandum fall within this delegation of authority.

Management proposes the following motion:

Moved, that the EIM Governing Body advises the Board of Governors to approve the proposed amendments to the Charter for Energy Imbalance Market Governance, attached to the memorandum dated July 6, 2017.

Background: The Regional Issues Forum and the ISO Stakeholder Process

The Forum was initially conceived by the EIM Transitional Committee as a tool for stakeholders, including neighboring balancing authorities that had not joined the western energy imbalance market, to “work through and resolve operational issues associated with EIM operation and expansion” in a committee structure similar to those employed at eastern RTOs. The Transitional Committee also addressed concerns about the relationship between this new structure and the ISO’s stakeholder process:

The Committee recognizes that the stakeholder committees in other centralized markets are, in every case, part of a larger formal structure for stakeholder input that is employed instead of the open stakeholder process that the ISO uses. The Transitional Committee, however, does not wish to displace the ISO’s existing stakeholder process, which it strongly supports, either directly or indirectly, for example by making the Regional [Issues Forum] the focal point of that process.

After receiving stakeholder input on the concept, in its Final Proposal the Transitional Committee expanded the focus of the Regional Issues Forum to encompass any “issues relevant to EIM.” At the same time, they limited the number of Forum meetings to three per year:

As we stated in the Draft Final Proposal, we do not wish to displace the existing stakeholder process, but merely to provide a platform for focused policy input on this particular market from affected entities that may not participate regularly in the broader ISO stakeholder process. ... the Regional Issues Forum will meet three times per year. This should assuage any concerns that the Regional Issues Forum will substantially overlap the stakeholder process or transform the Forum into a “super-stakeholder” process, as it will not meet with enough frequency to engage on frequent and granular market design issues.

In addition, the Transitional Committee recommended that the role of the Forum should be subject to adjustment based on experience:

[A]fter 18 months (4-5 meetings), the efficacy and role of the Regional Issues Forum will be reconsidered through a stakeholder process within the broader EIM stakeholder processes, reflecting not only its performance but any changed governance structures and regional market development as a whole.

The Re-evaluation Process and the Recommendations of the Forum Liaisons

The Forum liaisons have administered the re-evaluation process envisioned by the Transitional Committee. They obtained several rounds of feedback from stakeholders, as follows:

- On February 7, 2017, the liaisons posted a discussion document concerning the re-evaluation and associated process. Stakeholders submitted 12 sets of written comments on the discussion document.¹
- On February 28, during the meeting of the EIM Governing Body, there was an open discussion involving the liaisons and other stakeholders concerning the role of the Forum.
- The liaisons posted an Issue Paper for comments on April 4. Stakeholders submitted five sets of written comments on the paper.

On June 7, the liaisons posted a final proposal that recommends adjustments to how the Forum operates. Consistent with the Charter's direction that the Forum should "establish its own procedures," many of the recommended changes have been implemented by the liaisons already.² Two of the recommendations implicate provisions of the Board's Charter. First, the liaisons recommend removing the Charter's cap on the number of annual meetings, so that the Forum will meet at least three times a year, and can meet more frequently as issues warrant. Second, the liaisons would like to clarify that the Charter does allow flexibility to discuss topics that are the subject of an ongoing "stakeholder process, as long as any discussions ... are not duplicative or in circumvention of the formal ISO stakeholder process." The final proposal explains:

It is the Liaisons' desire to clarify the ability of the [Forum] and the stakeholders that attend ... to periodically discuss items that may already be in a formal ISO stakeholder process. In making this proposal, the Liaisons emphasize that the [Forum's] primary function is to facilitate a forum for discussion or to provide educational or information content and that it is not the [Forum's] desire to duplicate or circumvent the formal ISO stakeholder processes. [Forum] discussions should not be considered a part of any formal stakeholder process currently underway at the ISO. However, Liaisons believe that ... agenda items may at times overlap with items that are already within a formal stakeholder process and that a bright line exclusion of any such

¹ The papers and stakeholder comments are all available at <http://www.caiso.com/informed/Pages/BoardCommittees/EnergyImbalanceMarketGoverningBody/EIMRegionalIssuesForum.aspx>

² On June 7, the liaisons posted revised Operating Guidelines that reflect these changes.

discussion runs counter to the stated purpose of the [Forum] to enhance understanding of emerging EIM issues and provide a forum for open discussion.

Management's Recommended Revisions to the Charter

Management believes the proposed clarification of the relationship between Forum discussions and the stakeholder process is helpful. Having the Forum discuss topics that might, on occasion, overlap with part of an ongoing stakeholder process is not a problem, and likely beneficial, provided that, as the liaisons' final proposal emphasizes, these discussions not circumvent or duplicate the stakeholder process. With this change, Management supports removing the limit on the number of annual meetings, because the primary purpose of that limit was to ensure that the Forum did not displace the stakeholder process.

Management proposes conforming changes to the Charter, as follows.

The sentence that previously limited the number of annual meetings will be revised to say that the Forum will meet "at least three times annually, as determined by the stakeholder liaisons who organize the meetings."

The section about the purpose of the Forum will be modified to add the following language:

"The Regional Issues Forum may, on occasion, discuss items that may already be in an ongoing ISO stakeholder process. In such instances, the function of the Forum will be to facilitate discussion or to provide educational or informational content and not to serve as a means for duplicating or circumventing the formal ISO stakeholder process. Such discussions should not be considered to be a part of any such formal stakeholder process and should not result in an opinion of the Forum on such issues."

This language is drawn from the liaisons' final proposal. Management has added only the further clarification that it would circumvent or duplicate the stakeholder process if the Forum were to generate an opinion on an issue that is part of an ongoing stakeholder discussion. Of course, stakeholders who participate in Forum discussions are encouraged to submit the views they have developed as comments in the stakeholder process.

Finally, recognizing that these revisions would complete the process of reconsidering the efficacy and role of the Forum, Management proposes to delete Section 6.1.3, which requires the reconsideration to occur "[a]fter four to five meetings of the Forum." There will be another opportunity to consider the role of the Forum when EIM governance is re-evaluated beginning in late 2020.

A redline of the proposed charter is enclosed.