

**EIM ENTITIES' COMMENTS ON THE
GUIDANCE FOR HANDLING POLICY INITIATIVES WITHIN THE DECISIONAL
AUTHORITY OR ADVISORY ROLE OF THE EIM GOVERNING BODY
PROPOSAL
October 18, 2016**

I. INTRODUCTION

Energy imbalance market (“EIM”) current and future participants, PacifiCorp, NV Energy, Arizona Public Service, Puget Sound Energy, Portland General Electric, and Idaho Power (“EIM Entities”) hereby submit the following comments to the California Independent System Operator Corporation (“ISO”) on the Guidance for Handling Policy Initiatives within the Decisions Authority or Advisory Role of the EIM Governing Body proposal that was published October 4, 2016 (“Guidance Proposal”). The EIM Entities appreciate the opportunity to provide comments on this initiative for the ISO’s consideration.

II. COMMENTS

The ISO has published the Guidance Proposal and initiated a stakeholder process to explain the delegation of authority and provide detail about the process the ISO should follow with policy initiatives during both stakeholder processes and Board approval phases to ensure that the EIM Governing Body is able to perform its functions effectively and with stakeholder input. Generally, the EIM Entities agree that the Guidance Proposal is consistent with the Areas of Responsibility/Delegation of Authority section of the Charter for Energy Imbalance Market Governance, as proposed by the Transitional Committee and adopted by the ISO Board of Governors (“Board”) December 18, 2015 (“Charter”). The EIM Entities offer the following comments on the Guidance Proposal.

A. Primary Authority of the EIM Governing Body

In the Guidance Proposal, the ISO explains that the EIM Governing Body has primary authority for considering and approving policy changes to market rules that would not exist, but for the EIM. These market rules include, but are not necessarily limited to, rules that apply uniquely in the balancing authority areas (“BAAs”) of EIM entities, or rules that apply differently to EIM entity BAAs than to the ISO’s BAA. These policy changes must be approved by the EIM Governing Body before ISO management may make the appropriate tariff revisions and file them with the Federal Energy Regulatory Commission (“FERC”).

The ISO further explains that although the Board will give deference to the EIM Governing Body’s decisions on policy changes that have been determined to be within the EIM Governing Body’s primary authority, the Board retains ultimate authority over all tariff filings under the

ISO's tariff. Upon approval by the EIM Governing Body of policy changes within its primary authority, ISO's management will place them on the Board's consent agenda for the next Board meeting. The Board may vote to reject the consent agenda by a majority vote of the Board members, and may decide to consider the merits of the proposal. Absent a vote to reject the consent agenda, ISO management will be authorized to proceed with a FERC filing to implement the policy changes. The EIM Entities support these proposals and believe they are consistent with the EIM Governing Body primary authority process as set forth in the Charter.

B. Hybrid Initiatives

The ISO describes hybrid initiatives as initiatives that propose changes to more than one provision or section of the ISO's tariff, to which different decisional classifications would apply. The two categories of hybrid initiatives are: 1) Initiatives that are primarily driven by EIM-specific factors; and 2) initiatives that are primarily driven by factors other than the EIM. In the case of the first hybrid category, the EIM Governing Body must approve the entire proposal first, and then the Board will consider the entire proposal on its merits - not on the consent agenda - and both bodies would need to approve the proposal in its entirety before management may proceed with a FERC filing. In the second hybrid scenario, EIM-specific factors would go before the EIM Governing Body for approval, and then to the Board for approval of the entire proposal. If any aspect of the proposal is not approved by the Board, any EIM-specific aspect not previously approved by the EIM Governing Body would require the EIM Governing Body's approval before going back to the Board for decision on the entire proposal. The EIM Entities agree with these processes for approval of hybrid initiatives.

C. Advisory Role

As explained in the Guidance Proposal, to the extent a policy initiative proposes modification of generally applicable rules of the ISO's real-time market or rules that govern all ISO markets, the EIM Governing Body will have an advisory role. In its advisory role, the EIM Governing Body may submit its advice on the proposal to the Board, which the Board will consider in its decision. The EIM Governing Body may also have an advisory role with respect to proposals in a hybrid initiative that do not fall within the EIM Governing Body's primary authority. The substance of any advisory input from the EIM Governing Body to the Board will be included with any associated FERC filing. The EIM Entities support these proposed processes for proposals categorized as within the EIM Governing Body's advisory role, and believe they are in accordance with the delegation of authority in the Charter.

D. Exigent Circumstance Exception

The EIM Entities support the ISO's proposal regarding exceptions for exigent circumstances. The EIM Entities agree that in the event market rules require immediate revision to address emergency situations, which do not have time for a full two-body review and approval process, the body with delegated primary authority over the changes may solely approve the filing of temporary tariff amendments (no longer than 90 days). The EIM Entities agree that this proposal is also consistent with the Charter.

E. Policy Development – Identifying and Informing

The ISO proposes to ensure that its website identifies stakeholder initiatives that are likely to affect the EIM, including those that propose changes to the general rules of the real-time market. The EIM Entities request clarification regarding where on the website the ISO expects to post such identifying information. The EIM Entities believe that in addition, the ISO should provide the same identifying information in its Stakeholder Initiatives Catalog.

The EIM Entities support the ISO's proposal to state ISO management's tentative decisional classification in each paper the ISO publishes during the stakeholder process, to maximize the opportunities for stakeholders to provide comments if they disagree with the classification. The EIM Entities also agree with the ISO's plans informing the EIM Governing Body about pending initiatives scheduled for decision within the next six months, whether or not such initiatives are expected to fall within the EIM Governing Body's primary authority, to permit the EIM Governing Body the opportunity to exercise its advisory role.

F. Decisions, Dispute Resolution, Presentation, and Filings

The ISO proposes that its management will reach a conclusion about its initial decisional classification after stakeholder comments are submitted on the draft final proposal. ISO management will notify both the Chair of the Board and the Chair of the EIM Governing Body of the classification, along with links to papers and comments from stakeholders who disagree with the classification. If any objection to the initial decisional classification is submitted by the Chair of either body, the Chairs of both bodies will confer on the matter. If no agreement is made between the Chairs, the proposed dispute resolution process will be triggered.

The EIM Entities understand that the ISO will notify stakeholders when a dispute resolution process has been initiated and provide stakeholders with the opportunity to submit further comments on the proposed decisional classification. Upon the comment deadline, both the EIM Governing Body and the Board will meet as a "committee of the whole" to discuss and resolve

the matter. The meeting which may be a teleconference or in person, must include a quorum of each body, and final resolution will be made by a majority vote of the combined members of both bodies who were present at the meeting. In the event of a tie, the Chair of the Board will decide. The EIM Entities have determined that these processes, including the dispute resolution process, are consistent with the Charter, and therefore provide support. The EIM Entities also support the ISO's proposal to present to the EIM Governing Body, a memorandum from management explaining issues and proposed resolutions consistent with the format of such management presentations for the Board. In addition, the EIM Entities agree with the proposal for presenting to the EIM Governing Body on matters within its advisory role, as well as including the substance of any such advice from the EIM Governing Body in the associated FERC filing.

G. Department of Market Monitoring and Market Surveillance Committee

The EIM Entities request information from the ISO regarding the roles of the Department of Market Monitoring ("DMM") and the Market Surveillance Committee ("MSC") during stakeholder processes on initiatives that fall within the primary or hybrid EIM driven authority of the EIM Governing Body. For example, the MSC provides advisory services to the Board on initiatives prior to Board approval. Will the MSC and DMM interact with the EIM Governing Body as they do with the Board?

III. CONCLUSION

The EIM Entities appreciate the ISO's consideration of these comments and look forward to the ISO's next step in the process.