

**COMMENTS OF THE EIM ENTITIES
EIM GOVERNANCE REVIEW
STRAW PROPOSAL AND DRAFT CHARTER
DATED APRIL 1, 2019**

CAISO STAKEHOLDER PROCESS

APRIL 29, 2019

The current and announced EIM Entities (PacifiCorp, NV Energy, Arizona Public Service Company, Puget Sound Energy, Portland General Electric Company, Idaho Power Company, Powerex, the Balancing Authority of Northern California, Los Angeles Department of Water and Power, Seattle City Light, Salt River Project and NorthWestern Energy) submit these joint comments on the EIM Governance Review Straw Proposal and Draft Charter dated April 1, 2019. In addition to any individual comments the current and future EIM Entities may submit, these comments are provided to highlight several core issues.

Timing and Scope

As set forth in the Draft Charter published April 1, 2019, the Governance Review Committee (“GRC”) “will identify and develop proposed refinements to the current Western Energy Imbalance Market (“EIM”) governance structure in light of experience and the evolution of the EIM since its inception.” The GRC’s work also may include consideration of potential governance enhancements in the event a day-ahead market is added to the current EIM structure – i.e., the extended day-ahead market (EDAM). The latter issue will be included within the GRC’s scope of work if the current feasibility assessment for an EDAM (“Feasibility Assessment”) produces an outcome that results in the commencement of a separate stakeholder process to develop an EDAM design. As the CAISO states, the GRC would be “in a position to focus on potential EDAM governance enhancements in parallel with separate stakeholder proceedings to develop the EDAM market design.”

The EIM Entities strongly support this approach. There is no need for two separate processes that would review governance of the CAISO markets. Since neither the EDAM market design nor the EDAM governance structure can proceed without the other as a critical component, moving in parallel will lessen the risk of delay. In both cases, however, a six to eight-month development period is likely to be optimistic.

As to timing, the EIM Entities recommend waiting for the results of the Feasibility Assessment, prior to initiating the actual review by the GRC. Both the Feasibility Assessment and the GRC nominating process are ongoing and should be completed in roughly similar timeframes. It would be more efficient to know a defined scope of work for the GRC, prior to launching into the substantive activities of the committee.

Moreover, the scope of the examination of governance issues may be more extensive under an EDAM construct. The Draft Charter states that the GRC should, “undertake a broad review of the governance structure that considers the scope and nature of the delegation of decisional authority to the Governing Body, the process and criteria for selecting Governing Body members, and any other potential refinements to how the Governing Body currently performs its duties.” The EIM Entities support this broad authorization for the scope of review by the GRC. In addition to consideration of an expanded role of the EIM/EDAM Governing Body (“GB”) in market oversight and the new initiative approval process, the review should encompass areas including, oversight of market monitoring, augmentation of the regional stakeholder process, GB outreach programs, and oversight of the stakeholder policy initiatives roadmap. The GRC should also explore means to ensure the permanence of any reforms.

In summary, the current and announced EIM Entities greatly appreciate the CAISO moving forward with the establishment of the GRC. Consistent with the outcome of the Feasibility Assessment, a determination would be made as to the scope of the review to include or not include EDAM in the review process.

Sector Representation

Regarding the five sectors identified in both the Draft Charter and Straw Proposal, the EIM Entities have concerns with a broadened definition of the EIM Entities sector. Specifically, the EIM Entities take issue with the addition of balancing authorities that have entered into a formal public process to *consider* joining the Western EIM. The EIM Entities feel strongly that only EIM Entities that are fully committed and actively participating in the EIM or have signed implementation agreements have the requisite accountability, knowledge, experience, and relationships to represent this sector. The inclusion of balancing authorities that have entered into a formal public process to *consider* joining the Western EIM is a departure from how this sector was more narrowly defined in the EIM Transitional Committee Charter; a charter and process that the CAISO has leaned on in development of this Draft Charter for formation of this GRC. Generally, an EIM Entity has been defined as having executed an EIM Implementation Agreement. Changing the definition could have ramifications outside of this initiative.

The EIM Entities have a unique perspective and understanding of the evolution of the Western EIM. The EIM Entities work together through a number of different forums, including joint-quarterly meetings, EDAM meetings, and participation in the market itself. As such, the EIM Entities have many opportunities to have robust conversations and reach consensus on topics that are of most importance to the group as a whole. While new participants or committed future participants are always welcome, the EIM Entities have stopped short of allowing participation by entities who are merely exploring participation, as their motives and interests may be different than those of the group at large.

As an alternative, the EIM Entities suggest adding sector representation for “Neighboring Adjacent Balancing Authority Areas.” This is a sector currently represented in the CAISO’s Regional Issues Forum (“RIF”) and is defined in the RIF’s Operating Guidelines as:

Neighboring Adjacent Balancing Authority Areas – This sector will include any balancing authority area whether public or investor owned, including any participating power market administration that interconnects with the EIM footprint.

Adding this new sector and removing the reference to entities currently engaged in a formal stakeholder process from the EIM Entity sector, and the EIM Entity sector only, would ensure entities undergoing a formal process have a place to nominate and participate in the GRC process while also not foreclosing opportunities for others to participate.

Board and Governing Body Discretion in Selection of the Committee

The Straw Proposal describes a process under which the identified sectors will identify and rank candidates for service on the GRC. As described generally, the Draft Charter proposes a GRC of 11 to 13 members. Up to three of those committee positions are proposed to be made up of representatives of the EIM GB, the CAISO Board of Governors (“BOG”), and potentially the Body of State Regulators (“BOSR”). (Straw Proposal at 4). The remaining GRC members would be filled through a sector-led selection process.

The EIM Entities generally support the process outlined in the Straw Proposal that provides stakeholders a role to identify and rank candidates but gives the BOG and the GB the discretion to select committee members from the ranked slate. This division of roles allows the BOG and GB the necessary flexibility to comprise the GRC with appropriate candidates to best accomplish its assigned tasks.

The EIM Entities would suggest, however, more identified parameters and metrics that would provide guideposts on how the BOG and the GB would exercise that discretion. While qualifications for candidates are set forth in the Draft Charter (Draft Charter at 3, III.A.), the Draft Charter only provides that the GB and BOG “give careful consideration” to those qualifications and stakeholder rankings. (Draft Charter at 5). EIM Entities suggest more specificity in how the discretion is exercised. We suggest the following additional language:

The GB and BOG shall base its decisions on the following factors: (1) the BOG and GB shall prioritize the qualifications of the candidates as those qualifications are set forth in the Charter, and further that the Committee shall have the diversity of skill sets that will benefit achievement of Committee goals and objectives; (2) while not strictly bound by the sector ranking process, the BOG and the GB shall carefully consider the sector ranking process; (3) the BOG and GB shall endeavor, to the extent possible, to select at least a nominee from each of the identified sectors; (4) the BOG and GB shall endeavor to achieve geographic diversity within the GRC.

While these factors are not binding, the EIM Entities believe they are appropriate guideposts for the exercise of the BOG and GB as they comprise the GRC.

CAISO Board of Governor and EIM Governing Body Representation on the GRC

In the Straw Proposal and Draft Charter, the process for establishing committee membership includes one member each from the GB and the BOG be appointed to the GRC. The process also provides for the remainder of the GRC be selected by the GB and BOG. The EIM Entities are encouraged by the CAISO's thoughts and recommendations that the members of both boards be so heavily involved with the GRC, but believe it is a step too far to have board members as voting members and participants of the GRC, while also serving as the final arbiter on the composition of the GRC and ultimate decider in a the future EIM/EDAM governance structure.

The EIM Entities believe the BOG and GB should play a role in the GRC, but that role should be advisory in nature. As each entities' ultimate duty is to make decisions and recommendations for their respective positions within the CAISO's markets and the Western EIM, the EIM Entities believe a *stakeholder* led and designed governance review process will provide the BOG and the GB the ability to stay informed through their advisory role and also the ability to make an informed decision on the outcome of a future EIM/EDAM governance structure.

This proposed advisory role may frustrate the number and composition of voting members serving on the GRC if the resulting GRC composition becomes an even number of committee members (i.e., 10 sector representatives selected). The EIM Entities are open to the idea of a joint tie-breaker voting role of the BOG and GB if necessary.

The EIM Entities thank the CAISO staff, the BOG, and the GB for their thoughtful proposal and the willingness of both boards and their members to participate in this important process.