

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide written comments on the EIM Governance straw proposal posted on March 19, 2015.

[Please submit comments to EIM@caiso.com](mailto:EIM@caiso.com) by close of business April 16, 2015

The straw proposal is available on the ISO website at:

[http://www.caiso.com/Documents/StrawProposal-LongTermGovernance\\_EnergyImbalanceMarket.pdf](http://www.caiso.com/Documents/StrawProposal-LongTermGovernance_EnergyImbalanceMarket.pdf)

The slides presented during the March 31, 2015 stakeholder meeting are available at:

[http://www.caiso.com/Documents/Agenda\\_EnergyImbalanceMarketGovernance-StrawProposal.pdf](http://www.caiso.com/Documents/Agenda_EnergyImbalanceMarketGovernance-StrawProposal.pdf)

The EIM Transitional Committee welcomes and appreciates stakeholder feedback related to the straw proposal for the EIM Governance initiative. Please use the following template to comment on the key topics addressed in the proposal:

**Structure** - composition of the Nominating Committee, composition of the EIM governing body, and process for selecting members.

Comment:

Western Grid Group, Sonoran Institute, Utah Clean Energy & Vote Solar (NGO parties) strongly endorses the CAISO's efforts to create an EIM because of its potential to deliver economic benefits across the West while moving to a lower carbon grid. Many reasoned analyses conclude that regional trading across the Western U.S. will increase the economic efficiency of the grid and encourage its transformation toward the needs of the 21<sup>st</sup> century.

CAISO's initial EIM pilot has demonstrated that the economic benefits are real and could be very large over time. As more entities join EIM benefits are expected across the West through the more efficient use of the transmission system, increased

reliability, and reduced need for expensive reserves.

The evolving complexities of the energy market, including EIM, put all market participants and stakeholders on a productive learning curve. Stakeholder involvement will be increasingly important as the EIM develops. EIM governance should be prepared for new, unexpected public interest issues to surface that must be addressed.

NGO parties believes that the voting members of the EIM Nominating Committee should not be limited to market participants with a financial stake in the outcome, but expanded to include a state regulator and a public interest representative. We suggest that there should be seven voting members on the EIM nominating committee. Without a vote, it is not clear that EIM governance will adequately address public interest concerns.

Ultimately, the EIM governance will need to expand beyond the CAISO to a new Western state organization. It is critical that state regulators and the public interest sector each have a vote in the timing and scope of the decision to convert the EIM Governance into a truly independent regional organization. Having a board that has been nominated exclusively by entities with an economic interest is not conducive to this critical decision being made in the public interest.

**Scope of authority** – scope of authority, including whether it is appropriate and workable, the examples of issues that would fall within the primary and secondary authority of the EIM governing body, and process for resolving disagreements about the particular proposed rule changes or the scope of authority generally.

Comment:

The EIM Governance scope of authority as proposed is appropriate as a starting point. However, over time as the regional market evolves, the governance authority will need to evolve as experience is gained and the market functionality increases.

Here are some of the questions which we believe should be paramount for the governance of the EIM:

Are transmission tariffs primary obstacles to EIM market expansion? Are there transmission revenue “winners and losers?” What are the incentives for utilities whose transmission revenues are impacted? Should decisions be made solely on consideration of transmission revenues? Should generation savings be considered?

What will be included on the agenda of the regulatory advisory committee? Can transmission revenue and generation savings impacts be considered?

One of the most crucial functions for the EIM Governance committee is the authority to recommend and expand the functionality of markets to provide additional services as requested by EIM participants as outlined in the paper. Other regions, namely, SPP expanded organically from member requests seeking additional market services.

NGO parties also support the approval process for changes to the EIM for areas that the paper outlines as areas of “primary authority”. Specifically, we believe the process that allows the CAISO board to only accept or reject, but not modify any proposed change, provides a protection for the autonomy of the EIM Governance group.

**Documentation** – documentation of these arrangements in the ISO’s bylaws and a charter from the ISO Board of Governors, and mission of the EIM governing body that would be identified in its charter

Comment:

**Committee of regulators** – composition, including the balance of representation between state commissions and public power, and role of the committee

Comment:

NGO parties strongly support creation of a regulator’s committee that will support development of the EIM and other market products that are in the public interest. We also support the inclusion of public power representatives. However, the paper does not provide specifics about how many public power representatives may be included in the future. We disagree with the proposal to have each public power entity involved with the EIM have a seat on the Committee of Regulators. Rather, it is our recommendation that public power be represented by public power organizations and not a single load serving entity. We recommend this because state regulators have a much a broader preview and area of responsibility than an individual public power board or committee member. Additionally, by appointing individuals from every public power entity, the committee could grow to such a size that it is ineffective.

Similarly, we feel it is totally inappropriate for a “utility chief executive officer” from a public power entity to serve on this committee as this is akin to having a CEO of each utility on the committee of regulators. This would defeat the purpose of empaneling a committee what would look beyond the interest of a single utility.

The paper proposes 7 state and 2 public power seats. As the number of entities joining the EIM may change quickly, NGO parties believe this issue should be more clearly defined. As the committee of regulators expands the total number of public power representatives should not be able to be equal to or greater than state representation for the aforementioned reasons.

NGO parties believe that pancaked rates and how they impact access to the EIM and the exercise of monopoly rent seeking by transmission owners should be high on the agenda of the Committee of Regulators.

<b>Trigger for re-evaluating EIM governance</b>
<p>Comment:</p> <p>NGO parties recognize that the EIM governance structure should be nimble and acknowledges that this expanding market is a work in progress. We appreciate the list of possible triggers for re-evaluation put forward in the paper. However, we believe there needs to be a careful balance between being adaptable and providing the stability in policy that is needed for utility and regulators to support investment that is necessary to join the EIM. Thus, we recommend that a review process be established that is no less than every five years but no more frequent than every two years.</p>
<b>Criteria for evaluating proposals</b> – to revise and simplify the criteria for evaluating governance proposals, as reflected in the appendix
<p>Comment:</p>
<b>Miscellaneous items</b> – Please provide comments to other aspects of the straw proposal or governance related issues here.
<p>Public participation – Over the past few years public interest and non-governmental organizations have been afforded an opportunity to participate in transmission planning and study venues. We believe this participation has added value, expanded the scope of discussion, and resulted in more fully-vetted and superior plans and studies. As the Transitional and Nominating Committees go forward, we ask that they be mindful that simply having an open stakeholder process and inviting all to engage is not sufficient. Not every group or interest has the funding to represent itself. Thus, we advocate for designated seats for non-governmental interests or some form of support for broader stakeholder interests to be represented throughout the process. As Anatole France observed: “The law, in its majestic equality, forbids the rich as well as the poor to sleep under bridges, to beg in the streets, and to steal bread.”</p>