

January 18, 2019

Northwest Requirements Utilities Comments on EIM Governance Review Issue Paper and Straw Proposal

Northwest Requirements Utilities (“NRU”) appreciates this opportunity to comment on the California Independent System Operator (“CAISO”) December 14th EIM Governance Review Issue Paper and Straw Proposal. NRU supports the initiation of a process to examine the EIM’s current governance structure and specifically urges the CAISO to expand the role of public power entities in the EIM Governance structure, particularly for those public power entities that are neither EIM entities nor have participating resources but are impacted by the EIM by virtue of being located in the Balancing Authority Areas (“BAAs”) of EIM entities.

I. Introduction and Description of NRU

NRU is a non-profit corporation organized to represent the interests of its 53 utility members in all power supply, transmission, contract, and rate matters respecting the Bonneville Power Administration (“Bonneville”). NRU’s members are municipalities, public utility districts, tribal utilities, and electric cooperatives, all of which are entitled to purchase power supplies from Bonneville on a preferential basis pursuant to section 5(b) of the Pacific Northwest Electric Power Planning and Conservation Act. NRU utilities are located throughout seven states, 26 of which are located in the Balancing Authority Areas (BAAs) of existing EIM entities.

Bonneville is the primary or sole provider of wholesale power for all NRU members, and through BPA’s power and transmission rates, which are statutorily mandated to be cost-based, NRU members pay for the costs Bonneville incurs. We, therefore, have a substantial interest in whether Bonneville joins the EIM, and if it does, ensuring that BPA and its power customers will have meaningful representation in the CAISO’s decision-making processes. NRU is heavily engaged in Bonneville’s stakeholder process to determine whether Bonneville joins the EIM, and EIM governance is a significant factor NRU will consider as we participate in the Bonneville process.

II. Public Power Should Have A Formal Role In EIM Decision-Making Processes.

As part of the EIM governance review, NRU strongly encourages the CAISO to develop a formal role for public power entities that would give them a direct voice to the EIM Governing Body. Northwest public power entities will likely have different perspectives than other entities, given their geographic makeup, customer base, governance, and regulatory structure. Unlike Investor Owned Utilities (IOUs), public power entities serve their consumers at cost-based rates. They are regulated by their own elected governing boards. In the Pacific Northwest, public power entities are entitled to purchase power from Bonneville on a preferential basis. NRU's member utilities serve some of the most remote and rural areas of the Northwest, and most of our members will not have participating resources. These characteristics give them a unique perspective that is currently not represented in the EIM decision-making processes even though they will undoubtedly be impacted by decisions of the EIM Governing Body, especially if Bonneville joins the EIM.

In contrast, the perspective of IOUs and their end-use consumers are represented via the Body of State Regulators (BOSR). NRU encourages the CAISO to modify its governance policies to provide comparable representation for end-users of public power entities, such as the creation of a similar body that could represent the interests of public power entities. The makeup of this body should reflect the diversity of public power, including types of utilities, geographic region, whether they are EIM entities or have participating or non-participating resources.

III. The EIM Governing Body's Primary Authority Should Be Expanded And Made More Durable.

NRU supports the CAISO's proposal to expand the primary authority of the EIM Governing Body to include proposed changes to the generally applicable rules of the real time market if the primary driver for the change is the EIM. However, NRU urges the CAISO to go farther and expand the EIM Governing Body's primary authority to include the entire real time market. Given the expansive geographic footprint of the EIM, changes to market rules that impact the EIM should be within the primary authority of the EIM Governing Body.

NRU also urges the CAISO to consider how the EIM Governing Body could be made more durable. Currently, a change to the EIM Charter and Guidance document requires only a simple majority of the CAISO Board of Governors. The CAISO should consider whether there should be a heightened majority to amend the Charter and

Guidance document or whether the existence of the EIM Governing Body should not be subject to the CAISO Board of Governors.

IV. NRU Supports CAISO Staff's Proposal To Form A Stakeholder Group Similar To The Transitional Committee.

NRU supports CAISO staff's suggestion to form a stakeholder-based, working group to develop any proposed changes for stakeholder input. The EIM Transitional Committee that developed the Long-Term Governance of the EIM proposal in 2015 provides a good model for conducting the governance review. However, given the expansion of the EIM since 2015, NRU encourages the CAISO to create a working group that takes into account the differences of entity type and geographic region. Similar to the reasons articulated above regarding the need for diverse representation of public power, the working group should include representatives from each stakeholder group that is impacted by the EIM, including Northwest public power entities located in the EIM footprint without participating resources.

V. Conclusion

NRU thanks the CAISO for this opportunity to provide input on the EIM Governance Review, and we look forward to further engagement in the process.

Sincerely,

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