

April 29, 2019

Northwest Requirements Utilities Comments on the Straw Proposal for Formation of an EIM Governance Review Committee

Northwest Requirements Utilities (“NRU”) appreciates this opportunity to comment on the California Independent System Operator (“CAISO”) April 1st *Straw Proposal for Formation of an EIM Governance Review Committee*. NRU supports the general framework of the EIM Governance Review Committee (GRC) straw proposal and especially appreciates the treatment of balancing authorities engaged in a formal public process to consider joining the EIM and the publicly owned utilities located in those balancing authority areas.

I. NRU’s Interest in EIM Governance

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 purchase wholesale power from Bonneville on a preferential basis. NRU utilities are located throughout seven states, 26 of which are located in the balancing authority areas (BAAs) of existing EIM entities. EIM governance is a significant factor NRU is considering as we participate in BPA’s process to determine whether or not it will join the EIM, and we value the opportunity to engage in the CAISO stakeholder process on this topic.

II. Framework and Scope of Governance Review Process

The draft charter provides that the GRC’s focus would be limited to issues relating to governance and improving upon the current structure. However, within this scope the draft charter would authorize the GRC to undertake a broad review that considers all of the main components of the existing governance structure. The limited focus on governance is appropriate, but the review of the current governance structure should be comprehensive and include all aspects of the governance structure. This should include the scope of authority and durability of the EIM Governing Body and consideration of a more formal role for public power entities.

The scope of the straw proposal also includes the extended day-ahead (EDAM) governance structure if it moves forward. NRU supports the inclusion of EDAM governance in this process and observes that EDAM governance would have a more extensive impact on entities outside California than EIM does. As a result, the GRC may need to undertake a more extensive review, which may take more time than six to eight months suggested by the straw proposal. Regardless of how EDAM proceeds, NRU encourages the CAISO to move forward with the EIM governance review expeditiously.

NRU also appreciates that the draft charter provides that the GRC would conduct its work through an iterative public stakeholder process that would allow entities like NRU to remain engaged. The additional time required to include such stakeholder processes is well worth the effort because it provides a better end product with regional stakeholders being more vested in the outcome.

III. Sector Classifications and Makeup of Governance Review Committee

The composition of the GRC should reflect the broad range of interests that will be impacted by decisions made within the EIM governance structure. In our previous comments, NRU encouraged the CAISO to develop a more formal role for public power entities that are impacted by the EIM by virtue of being located in the balancing area of an EIM entity. We therefore were pleased to see the proposed sector definitions for nominating and ranking potential GRC members. In particular, NRU is encouraged by the proposal to include entities that have begun a formal process to consider joining the EIM, such as Bonneville, in the EIM Entity sector. Correspondingly, the proposal would allow for public power entities located in Bonneville's (and current EIM Entities') balancing area an opportunity to participate in the Publicly Owned Utilities sector.

Bonneville plans to make a decision on whether it will sign an implementation agreement in September, which nearly coincides with the timing of when the GRC is likely to be appointed and begin their work. Thus, it is appropriate for Bonneville to be included in the EIM Entity sector and for publicly owned utilities in Bonneville's balancing area to participate in the Publicly-Owned Utilities Sector. If the sector definitions were not defined in this way and if Bonneville were to decide to sign the implementation agreement in September, the publicly owned utilities in Bonneville's balancing area would have narrowly missed the window of opportunity to participate.

NRU supports the sector definitions as currently drafted. However, we suggest that one alternative could be the inclusion of an additional sector for federal Power Marketing Authorities (PMAs) and permitting publicly owned utilities in the service territory of a

PMA to participate in a Publicly-Owned Utilities sector. This would be more appropriate than including Bonneville in the Publicly Owned Utilities sector. PMAs and publicly owned utilities have distinct and separate interests and should both be represented in the selection of the GRC members and on the GRC itself.

In an effort to ensure diverse representation and that impacted entities have a voice in the process, the CAISO should consider expanding the number of members on the GRC. NRU appreciates the desire to keep the GRC small enough to be workable and efficient but this could still be achieved if the GRC included 15 to 17 members rather than the 11 to 13 identified in the straw proposal.

NRU also encourages the CAISO to add a clarification to the GRC member selection process that would provide additional transparency. Sector nominees and rankings should be made public when they are provided to the EIM Governing Body and the Board of Governors.

Finally, while we support the sector definitions and general selection process for the GRC members, we note that there is a discrepancy in representation for the ratepayers of Investor Owned Utilities compared to the ratepayers of publicly owned utilities. Under the straw proposal, the Body of State Regulators would be guaranteed a spot on the GRC, but there is no similar assurance that there would be any representation for the ratepayers of public power entities. We ask the CAISO, EIM Governing Body, and Board of Governors to keep this in mind throughout the selection process.

IV. Conclusion

The EIM governance review should be a transparent process that provides for diverse representation and the ability for a broad range of stakeholders to provide input. With a few minor clarifications and modifications as described above, NRU believes this goal can be met. Thank you for considering our comments. We look forward to further engagement on the EIM governance review process.

Sincerely,

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