

Submitted by	Company	Date Submitted
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PacifiCorp supports the objectives described in Section 3 of the Governance Proposal to facilitate a robust and independent energy imbalance market (EIM) governance structure, namely, that any governance structure must include: (i) Prompt and Direct Input; (ii) an Adaptable Structure; and (iii) Promote Successful Implementation of the EIM. In this context, a properly designed governance paradigm is critical to the success of the EIM.

PacifiCorp appreciates the California Independent System Operator's (ISO) ongoing efforts with respect to the development of the EIM. PacifiCorp acknowledges the ongoing nature of the issues addressed herein and reserves the right to supplement, modify, amend, or otherwise present additional comments at a future time, as permitted. In addition, PacifiCorp respectfully requests that the ISO or interested stakeholders not perceive the absence of comments on any particular question, issue or other matter as a conclusive indication of PacifiCorp's lack of interest, support or opposition with respect thereto.

1. Do you support the roles identified for the transition committee – i.e., to provide the Board with input on EIM-related issues during start-up and early implementation and to develop a proposal for an independent governance structure? Please explain the basis for your views.

Comments: PacifiCorp supports the creation of the Transitional Committee. Specifically, PacifiCorp supports the Transitional Committee's objective to develop an appropriate, independent EIM governance structure. With regard to the concept of independence, PacifiCorp supports an EIM governance structure with (i) an independent board (i.e., board members that are financially independent), and (ii) a long-term goal for organizational independence from the ISO Board, which PacifiCorp believes is crucial to the EIM's long-term success.

PacifiCorp requests additional detail in the next Governance Proposal with respect to the Transitional Committee's role in providing input, advice and/or recommendations to the ISO Board associated with EIM-related issues. PacifiCorp needs to better understand under what circumstances the Transitional Committee will make recommendations to the ISO Board, how the Transitional Committee will make recommendations to the ISO Board and how the Transitional Committee's role in making such recommendations is distinct from a market participant's ability today to comment directly to the ISO Board.

2. Do you support the sector definitions and the nomination and ranking process for the transition committee? Please explain the basis for your views.

Comments: PacifiCorp believes that additional details and clarification is necessary related to how the sector committees and the nomination process will be undertaken.

First, as PacifiCorp understands the Governance Proposal, each sector will separately rank candidates for the Transitional Committee, which will then be combined to constitute one list of ranked candidates for the ISO Board's ultimate selection of specific committee members. However, it is PacifiCorp's impression that there is confusion with stakeholders as to whether each stakeholder sector will have a candidate appointed to the Transitional Committee. PacifiCorp seeks to better understand the existing stakeholder sector process as it exists for vetting of the ISO Board of Governors candidates but cautions that the ISO should be flexible in trying to apply this same process to the nominations for the Transitional Committee. The ISO should clarify the role of sectors in the next draft of the Governance Proposal to avoid confusion.

Second, the Governance Proposal needs clarification with respect to how the stakeholder sectors will be created and function. For example, who will convene the stakeholder sectors? Who will determine what entities are allowed to participate and in which sector? What process will be used to govern deliberations of the stakeholder sectors? PacifiCorp requests the ISO clarify each of these fundamental questions in the next draft of the Governance Proposal.

Third, Section 4.2.3 identifies six stakeholder sectors for nominating individuals to serve on the Transitional Committee. Those stakeholder sectors include: (i) Investor-owned utilities; (ii) Publically-owned utilities; (iii) Generators and marketers; (iv) Alternative energy providers; (v) EIM participants; and (iv) Government agencies and public interest entities. PacifiCorp requests that the ISO clarify how and why these sectors were identified. For example, PacifiCorp requests additional clarification on the definition of an alternative energy provider and how entities in this sector are different than entities in the sector for generators and marketers.

Fourth, the Governance Proposal should expressly limit participation in the stakeholder sectors to those entities that have a direct interest in the EIM. This limitation will ensure that the Transitional Committee is informed by those parties that are best situated to assess the EIM.

Fifth, PacifiCorp requests that the Governance Proposal clarify that an EIM Entity's role on the Transitional Committee is separate and distinct from its participation in the sector nomination and ranking process.

Finally, PacifiCorp disagrees with the proposal to limit participation by entities in certain sector categories to those that have “participated in the ISO’s markets since 2009.” This limitation unnecessarily restricts participation.

3. Do you support the number of members in the transition committee and its composition? Please explain the basis for your views.

Comments: Yes, subject to the following comments. PacifiCorp proposes the following changes to Section 4.2.1 of the Governance Proposal.

First, PacifiCorp, as the first EIM Entity, expressly requests that the Governance Proposal explicitly designate PacifiCorp as a member of Transitional Committee, not subject to any nomination process and not subject to Board of Governors discretion to not choose a PacifiCorp representative. Likewise, the addition of new EIM Entity representatives to the Transitional Committee should be automatic, not discretionary in the charter. Further, the addition of EIM Entities should not be limited in number. By removing the cap, other potential EIM Entities will be provided the appropriate incentives to commit to the EIM. PacifiCorp understands the desire to limit initial participation in the committee; however, participation of EIM Entities in the Transitional Committee is critical because it will allow the Transitional Committee to consider the particular needs of each EIM Entity to ensure the success of the EIM.

Second, the requirement that the Transitional Committee be composed of an odd number of members seems unnecessary if the Transitional Committee charter allows the committee to provide the ISO Board with both a majority and minority opinion associated with committee recommendations and advice. In the event of an even split among the membership of the Transitional Committee, the committee can simply provide both opinions to the ISO Board for consideration.

Third, to ensure broad geographic diversity on the Transitional Committee, the charter should call for a geographically diverse set of nominees. PacifiCorp proposes a requirement that the stakeholder sectors rank two slates of nominees based on geography and expertise (i) within California and (ii) across Balancing Authority Areas represented by EIM Entities. The ISO Board could then use the separately ranked slates to select nominees for the Transitional Committee that ensure diversification.

4. Do you support the independence proposals identified in the paper for long-term independent EIM structure? Please explain the basis for your views.

Comments: Yes, subject to the following comments. An “independent” governance structure is defined in two important contexts: (i) an independent board (i.e., board members that are financially independent) and (ii) organizational independence from the ISO Board, which is crucial to the EIM’s long-term success. PacifiCorp supports the Transitional Committee’s consideration of both matters. The creation of a financially independent board could facilitate a governance structure that is ultimately independent from the ISO Board.

With regard to an independent governance structure generally, PacifiCorp:

- a. Supports the concept of allowing the Transitional Committee to recommend an independent EIM governance structure with authority over the EIM;
- b. Cautions against predetermining any particular independent governance model in the Governance Proposal or Transitional Committee charter. The Transitional Committee should have the discretion to make the major policy and design recommendations with respect to the development of an independent EIM governance structure necessary to achieve the objectives identified in the Governance Proposal; and
- c. Requests the ISO reconsider the inclusion of certain governance models (including both the market operator and hybrid models) in the Governance Proposal that specifically reflect a governance structure that is independent from the ISO Board.

The language in Section 5 and Section 5.2 appears to presume that the ISO will govern the EIM. This may not be the best governance model as it could lead to market and/or jurisdictional conflicts. The Transitional Committee, following thorough research and consideration, may find that an independent organization overseeing the EIM presents the best governance option. Foreclosing any governance model (including the market operator and hybrid models) will limit the adaptability of the EIM and may threaten its successful implementation.

Describing the process in the Governance Proposal as consisting of two steps to a truly independent EIM governance structure may be misinterpreted. While the Governance Proposal identifies two significant steps in the process to define governance for the EIM, the Transitional Committee may identify additional steps necessary for a truly independent EIM model. PacifiCorp requests that the ISO clarify that it is not restricting the Transitional Committee, and the Transitional Committee can explore different options for an independent EIM governance structure. Indeed, this stakeholder process should be used to solicit input on what models the Transitional Committee should consider.

5. Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

Comments: Yes. PacifiCorp supports assigning an ISO management liaison to assist the Transitional Committee. The liaison can provide valuable information relative to the ISO's capabilities and perspectives. However, PacifiCorp also requests that in the next round of the Governance Proposal that the ISO clarify that the Transitional Committee has the ability to request technical advice and studies from EIM Entities, EIM participants, and other relevant stakeholders. The successful implementation of the EIM will depend on the availability of data and analyses from the ISO (as the market operator), EIM Entities and potential EIM participants.

In addition, as a general matter, PacifiCorp looks forward to the ISO's release of the draft charter where many of the details associated with the Governance Proposal will be addressed and discussed. In this context and in preparation of the draft charter, it is PacifiCorp's expectation that the ISO Board will give particular weight to the opinions of EIM Entities on the Transitional Committee. It is also PacifiCorp's expectation that the role of the Transitional Committee in advising and making recommendations to the ISO Board will be more fully detailed.

6. Any other comments?

Compensation, Reimbursement

PacifiCorp supports the proposal that Transitional Committee members serve without compensation and members' affiliated entities should be responsible for all costs and travel expenses associated with the Transitional Committee.

Term

PacifiCorp requests that the ISO modify the Governance Proposal to provide that, once seated, members of the Transitional Committee will participate until the task of developing an independent EIM governance structure is complete. In the event that the Transitional Committee cannot complete its task within the proposed two-year term, reappointing existing members or appointing new members may unnecessarily disrupt the committee's progress. That said, PacifiCorp appreciates the Governance Proposal's acknowledgement that the charter will need to address extended terms for existing Transitional Committee members or for the nomination and appointment of new members.