

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 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

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

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:

PacifiCorp generally supports the governance model identified in the straw proposal. As has been noted by many stakeholders throughout this process, the ability of the EIM to expand and be successful will depend on a governance model that reflects the broader regional interests.

As announced April 14, 2015, PacifiCorp signed a memorandum of understanding with the ISO to explore the feasibility, costs and benefits of PacifiCorp potentially joining the ISO as a participating transmission owner. A governance model that reflects regional interests is a critical consideration in PacifiCorp's decision to proceed with joining the ISO as a participating transmission owner. Accordingly, PacifiCorp provides the following comments from its perspective as an EIM Entity in regards to the straw

proposal concepts, and where appropriate or relevant, as well as in light of PacifiCorp's recent announcement to further study the benefits of joining the ISO.

The proposed composition of the Nominating Committee adequately balances the interests of the different parties. The Nominating Committee should primarily reflect the interests of those entities participating in the EIM. The inclusion of a public power representative on the Nominating Committee will allow for a public power perspective in the governance process and facilitate expansion of the market. The proposed non-voting representatives are limited to those groups that will have valuable input, but voting would not be appropriate (EIM Transitional Committee, ISO Board, EIM governing body and the ISO CEO), or groups where a single representative would not be adequately able to represent the varied interests of the group (state regulators and public interest groups). Despite lacking a vote, the non-voting members of the Nominating Committee would be able to participate fully in the vetting process. Furthermore, the straw proposal also calls for a committee of regulators.

PacifiCorp also generally supports the composition of the EIM governing body. A regional governing body will provide the best oversight of a regional market. However, the key issue is regional representation, so in the event that the ISO's governance requirements were to provide for a truly independent selection of regional board members, there may be no need for a separate EIM governing body, and instead, the regional representatives comprising the EIM governing body may be the appropriate representatives for the board overseeing all of the ISO's operations. This would provide for additional coordination between the ISO and EIM participants to ensure market rules are coordinated to avoid adverse impacts to either market.

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:

PacifiCorp generally supports the identification of the list of market rules that fall into the two categories that apply uniquely or differently to the EIM or apply equally to the real-time market, but expects that additional detail will be required. As an initial consideration, the proper process would be to have the ISO staff with input from the EIM Entities, develop the initial list, subject to a subsequent stakeholder process. The ISO staff has the expertise to evaluate each market rule and the independence to make an appropriate determination without bias and the EIM Entities are critical to the operation of the market and bring specific, directly relevant perspective to the task and an understanding of corresponding changes required in their tariffs. Any such list would then be vetted and approved by both the EIM governing body and the ISO board.

The question of how prescriptive the list must be can only be determined by the group that is charged with developing and implementing the markets – ISO staff. However, PacifiCorp expects that a detailed list is required, with references to specific tariff

sections, to avoid ambiguity. Accordingly, PacifiCorp supports the general items identified in the straw proposal, but additional effort is required to add specificity.

PacifiCorp supports the need for inclusion of a general process for resolving conflicts between the EIM governing body and the ISO board, the specifics of which can be determined by the two bodies. Specifically, if any such conflicts arise, the EIM governing body and ISO board should meet to discuss why the ISO board refused to approve the changes to the EIM market that the EIM governing body approved. The EIM governing body should not be placed in a position where it must continue to revise a proposal until the ISO board is satisfied.

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:

Although specific bylaw amendments to implement the straw proposal governance structure have not been considered, the bylaws would have to include provisions establishing the EIM governing body, describing its primary authority, and stating that the ISO board shall not approve a tariff change within the EIM governing body’s primary authority without approval by the EIM governing body.

While PacifiCorp acknowledges that the ISO board is responsible for the bylaws and may change the bylaws at its discretion, PacifiCorp does not believe any additional restrictions should be imposed on the ISO Board’s governing authority. Any risk that the ISO board would revoke the EIM governing body’s authority or modify its role without the approval of the EIM governing body would be a drastic step that would signal a broader issue with the sustainability of the market itself.

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

Comment:

PacifiCorp generally supports the proposal for the committee of regulators. The committee of regulators can provide important advice to the EIM governing body regarding the potential impact of market rules on consumers. However, representation of public power interests is not appropriate for the committee of regulators. Public power entities, a/k/a consumer-owned utilities, by their nature represent the interests of their customers. The committee of regulators is necessary to ensure that the ISO is receiving input from retail customers that are not otherwise directly represented. Public power entities will be able to control the impact on their customers through the stakeholder process and participation in the EIM and will be able to shape the formation of the EIM governing body through the Nominating Committee. Additionally, the interests of public power entities may not be aligned across all entities.

Additional clarity regarding the operation of the committee of regulators may also be required to avoid confusion. Initially, the committee of regulators should only advise the EIM governing body. However, in the event that the ISO board represents broader

regional interests, it may be appropriate for the committee of regulators to advise the ISO board itself.

PacifiCorp agrees that it is appropriate for the state regulator positions to be filled with commissioners, rather than commission staff members.

Trigger for re-evaluating EIM governance

Comment:

PacifiCorp supports the list of triggers for earlier review of EIM governance. However, in light of PacifiCorp's recent public announcement, PacifiCorp suggests one clarifying revision and one addition to that list. Specifically, the fifth potential trigger should be revised to state:

“One or more large entities located outside of California ~~decide to join~~ the ISO as a Participating Transmission Owner; or”

This clarifying edit conditions the trigger on more than just a determination to join at a future time, and instead on definitive action evidencing that joining is to occur.

An additional trigger should be included that requires review of EIM governance if there are California legislative changes that allow the ISO to become a regional entity.

Criteria for evaluating proposals – to revise and simplify the criteria for evaluating governance proposals, as reflected in the appendix

Comment:

PacifiCorp has no proposed changes to the evaluation criteria and supports the simplification of the criteria contained in the straw proposal.

Miscellaneous items – Please provide comments to other aspects of the straw proposal or governance related issues here.