

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
Mike Benn 604.891.6074	Powerex Corp.	July 9, 2015

Please use this template to provide written comments on the draft final proposal for the EIM Governance posted on June 22, 2015.

[Please submit comments to EIM@caiso.com by close of business July 9, 2015](mailto:EIM@caiso.com)

The draft final proposal is available on the ISO website at:

[http://www.caiso.com/Documents/Briefing\\_Governance\\_Proposal-DraftFinalProposal-June2015.pdf](http://www.caiso.com/Documents/Briefing_Governance_Proposal-DraftFinalProposal-June2015.pdf)

The slides presented during the June 25, 2015 EIM Transitional Committee meeting are available at:

[http://www.caiso.com/Documents/Briefing\\_GovernanceProposal-Presentation-Jun2015.pdf](http://www.caiso.com/Documents/Briefing_GovernanceProposal-Presentation-Jun2015.pdf)

The EIM Transitional Committee welcomes and appreciates stakeholder feedback related to the draft final proposal for the EIM Governance Development initiative.

Please use the following template to comment on the key topics addressed in the proposal. Organizing your submission around the different sections of the EIM governance proposal will assist the Committee in its review of the comments.

### 1. Basics of the EIM governing body

Powerex appreciates the opportunity to submit comments on the Energy Imbalance Market (“EIM”) Transitional Committee’s Draft Final Proposal on Long-Term Governance of the EIM. In the Draft Final Proposal, the EIM Transitional Committee proposes a structure in which the existing CAISO Board would delegate authority to an EIM governing body, which would have authority to approve changes to EIM-specific market rules proposed by CAISO staff. The EIM governing body also would play an

advisory role with respect to proposed changes to market rules that, while not unique to the EIM, would have an impact on EIM operations.

Powerex submits these comments to reiterate its continued support for an EIM governing body and administrative structure that is wholly independent from CAISO and the existing CAISO Board. The Draft Final Proposal opens with the Transitional Committee members' view that the Western Interconnect has "lagged behind other parts of the country in achieving the benefits of an efficient regional market" as a result of a lack of "trust" in market design and governance. As Powerex and others explained in previous comments in this proceeding, an independent governance and administrative structure is essential to achieving broad participation and ensuring that the multi-state EIM is operated in a manner that serves the interests of all those taking service within the expanded EIM footprint as opposed to the interests of any one state.

Powerex disagrees with the Draft Final Proposal's characterization of the continued urging from stakeholders across the region that the EIM Transitional Committee pursue an autonomous governance model as a minor disagreement over a "limited number of details." Contrary to what the Draft Final Proposal suggests, the issue of how the EIM is governed is a foundational issue, one that is of fundamental importance to those customers taking service within BAAs that elect to join the EIM. Unless a truly independent governance and administrative structure is established, it is likely that the EIM will continue to be operated in a manner that elevates the interests of California and its customers over the interests of customers in other balancing authority areas outside of California that elect to participate in the EIM, including those taking service under the long-standing Open Access Transmission Tariff ("OATT") framework established by FERC.

Unfortunately, the governance proposal set out in the Draft Final Proposal falls short of this standard, with both the CAISO and the CAISO Board retaining ultimate decision-making authority over the direction and administration of the EIM. Under the proposal, CAISO staff would retain responsibility for day-to-day operation of the EIM and the development of EIM market rules. In addition, approval of the CAISO Board would remain a precondition for any changes to EIM market rules, allowing the CAISO Board to veto proposals supported and approved by the EIM governing body.

These features of the proposed governance structure do little to ensure that the interests of customers outside of California are taken into account or respected. The likely result will be a continuation of the current, flawed California-centric approach that has characterized development and implementation of the EIM to-date, increasing imbalance costs for transmission customers in the PacifiCorp balancing authority areas at the same time that these customers have seen their OATT rights confiscated for use in the EIM. Such an approach is incompatible with an EIM that serves the interests of all customers in the region, and will continue to create resistance to increased participation in the EIM. Rather than addressing the purported lack of trust identified in the Draft Final Proposal, the recommended governance model may perpetuate any distrust that does, in fact, exist.

Powerex is also concerned that the Draft Final Proposal characterizes the autonomous governance model as a “counterproductive” measure that “risks the benefits EIM delivers and increases overhead costs.” Independent governance of a multi-state organized market, with executive leadership appointed by someone other than the Governor of California, can hardly be viewed as “counterproductive.” And while an independent governance structure certainly increases overhead costs, no credible evidence has been offered to support the position that autonomous governance would limit or eliminate EIM benefits. Indeed, such a conclusion has no basis in the experience of those markets that have adopted truly independent, regionally-governed models. Powerex sees nothing special or unique about the Western Interconnect that requires it to develop a multi-state market controlled by California.

Notwithstanding some of the above statements in the introductory portion of the Draft Final Proposal, the Transitional Committee ultimately declines to recommend the adoption of an autonomous governance model “because the only way to do so meaningfully is to obtain a legislative approval that is unlikely[.]” Even if this is the case, a consideration of the potential success and trajectory of California legislative action goes far beyond the purpose of this proceeding: to develop a “governing body that accommodates the diverse and regional nature of the EIM market footprint.”

For these reasons, Powerex requests that the EIM Transitional Committee consider more accurately characterizing the issue of autonomous governance as a fundamental issue of major disagreement among stakeholders, rather than as a limited disagreement over a “detail.” In addition, Powerex reiterates its request that the EIM Transitional Committee reconsider its approach and recommend to the CAISO Board that the Board take steps to establish a truly independent EIM governing body and administrative structure.

**2. Selecting members of the EIM governing body** (including the selection process and composition of the nominating committee)

Comment:

**3. Scope of authority** (including the proposed process for resolving disputes about which body has primary authority over a particular policy initiative)

Comment:

**4. Composition and role of the advisory body of state regulators** (including leaving development of their role and relationship with the ISO to the regulators themselves)

Comment:
<b>5. Regional Advisory Committee</b> (including what issues the proposed committee should address and whether it would provide a productive forum for discussion of the issues and/or would enhance the ISO's existing stakeholder process)
Comment:
<b>6. Commitment to re-evaluate governance</b>
Comment:
<b>7. Miscellaneous items.</b>
Comment: