

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Mike Benn 604.891.6074	Powerex Corp.	April 16, 2015

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.

Powerex appreciates the opportunity to comment on the Energy Imbalance Market (“EIM”) Transitional Committee’s Straw Proposal on Long-Term Governance of the EIM. In the straw proposal, the EIM Transitional Committee proposes a framework whereby the existing CAISO Board would delegate authority to an EIM governing body, which would have decision-making authority over certain EIM-related matters while playing an advisory role on other CAISO market rules.

Powerex submits these comments to reiterate its strong support for a wholly independent EIM governing body. In Powerex’s view, an independent governance and administrative structure is essential to ensuring that CAISO’s multi-state EIM is operated in a manner that serves the interests of all customers taking power or transmission service within the expanded EIM footprint. In expanding CAISO’s real-time market beyond the borders of California, it is inevitable and unsurprising that

conflicts will develop between the interests of CAISO and those of customers outside of California, including those taking service under the traditional Open Access Transmission Tariff (“OATT”) framework. In Powerex’s view, the existence of an independent EIM governing body is a necessary precondition for ensuring that such conflicts are resolved in a manner that reflects and promotes the interests of the EIM region as a whole. Until such a body is established, it is likely that such conflicts will continue to be resolved as they have been throughout the process leading to the development, implementation, and operation of the CAISO-PacifiCorp EIM: in a manner that prioritizes integration of new balancing authority areas into CAISO’s own market model to the detriment of efficient operation of the wholesale markets outside the CAISO.

Powerex recognizes the complexities and costs associated with establishing an independent EIM governing body, some of which were identified by the EIM Transitional Committee. Powerex believes, however, that these challenges are neither insurmountable nor render a fully independent EIM governing body unworthy of pursuit. On the contrary, accepting and overcoming these obstacles is the first in a series of steps necessary to create an EIM that leads to just and reasonable results and delivers broad reliability and efficiency benefits throughout the region.

The pitfalls associated with the current approach to market design, under the current governance model, have become all too apparent. EIM implementation has resulted in significant price formation challenges in the CAISO footprint, with much broader harmful impacts experienced in the PacifiCorp balancing authority areas. Specifically, rather than delivering its promised benefits, operation of the EIM has significantly constricted the rights of PacifiCorp’s existing transmission customers at the same time that these customers have seen their exposure to imbalance costs increase as a result of a flawed resource sufficiency framework and the denigration of their OATT rights. This same, California-centric approach has manifested itself outside of the EIM, in the CAISO’s own real-time markets, resulting in a significant loss of liquidity at the interties.

For the foregoing reasons, Powerex urges the EIM Transitional Committee to reconsider its approach and to begin taking steps towards establishing a truly independent EIM governing body.

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:

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:
Committee of regulators – composition, including the balance of representation between state commissions and public power, and role of the committee
Comment:
Trigger for re-evaluating EIM governance
Comment:
Criteria for evaluating proposals – to revise and simplify the criteria for evaluating governance proposals, as reflected in the appendix
The California-centric focus is reflected in the proposed criteria for evaluating governance proposals, found in Appendix A. As Powerex has noted in this and other stakeholder processes and in EIM-related proceedings before the Federal Energy Regulatory Commission, the EIM Governance structure should be evaluated for its effect on operations of all participating balancing authority areas, not just its effect on CAISO operations. In the straw proposal, the Transitional Committee emphasized the importance of ensuring that the EIM aligns with, and works efficiently with, other aspects of CAISO's market design. However, it is equally important that the EIM work efficiently with the bilateral wholesale energy markets and OATT transmission frameworks that exist outside of the EIM. It is the failure to take these structures into account that has led to many of the implementation problems discussed above. The proposed criteria incorrectly elevate the interests of CAISO's markets over those of customers and ratepayers in external balancing authority areas.
Miscellaneous items – Please provide comments to other aspects of the straw proposal or governance related issues here.