

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Andrew Meditz andrew.meditz@smud.org (916) 290-2075	Sacramento Municipal Utility District (SMUD)	September 6, 2013 to eim@caiso.com

Please use this template to provide your comments on the Energy Imbalance Market Governance White Paper posted on August 13.

Submit comments to EIM@caiso.com

Comments are due September 6, 2013 by 5:00pm

Please provide your comments following each of the topics listed below:

- 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:

SMUD generally supports the roles identified for the Transitional Committee, however, given the importance of establishing a long-term independent governance structure, it is critical that the Transitional Committee have sufficient representation from a cross-section of the industry to ensure different perspectives are taken into account. This may necessitate a slightly larger group than the seven members being proposed. SMUD also notes that the Transitional Committee is intended to address “all matters pertaining to the setting of transmission access charges or rights...” White Paper at 10. SMUD has already expressed its concerns with respect to the deferral of this issue and continues to support the establishment of a methodology and rate for transmission access in the ongoing EIM stakeholder process. Since there would possibly be a gap between the establishment of an independent board and the need to true up EIM transmission rates,

however, this is likely within the scope of advisement that the Transitional Committee should provide 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:

- A. SMUD suggests splitting the “Government agencies and public interest entities” sector into two separate sectors. Although government agencies may share some commonalities with public interest entities, for the most part they represent different interests and often have different perspectives. This is part of a broader concern, discussed further below, with respect to how to provide an effective and reasonably accurate mix of sector input while maintaining the effectiveness of the committee.
- B. SMUD requests the CAISO to clarify its use of terms in the White Paper. For example, whether the sector “EIM participants” is different than an EIM Entity sector. If so, what is an EIM participant? Is an “EIM participant” the same as an “EIM market participant”?
- C. The process for nomination and ranking does not make clear that a sector-nominee from each sector will be appointed to the Transitional Committee. SMUD interprets the proposal as stating that after each sector ranks all nominees (both self-nominations and sector nominations from each of the sectors), these six lists are compiled into a single list from which the CAISO Board will make appointments. Accordingly, the top six candidates may not represent each of the six sectors, rather are representative of ranking (and CAISO Board discretion). As noted previously, given the importance of the issues being addressed by the Transitional Committee, it is essential that the composition reflects the sectors, as ultimately determined in this process.

As an alternative, SMUD recommends the CAISO ensure that each sector is represented on the Transitional Committee. To do this, the nomination and selection process could mirror the Southwest Power Pool’s (SPP) Corporate Governance Committee which is responsible for the overall governance structure for SPP. This Committee has industry sectors similar to the ones proposed by the CAISO (i.e. producers/marketers, investor-owned utilities, municipals) and each sector selects its own representative to serve on the Committee. This recognizes that the members of each sector are best-suited to select a representative to advance their unique interests.

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

Comments:

With respect to composition, as previously noted, SMUD recommends that the sectors be maintained on the Transitional Committee.

Assuming this sector representation is preserved, SMUD further believes that the proposed limit on number of members may not allow for proper representation. For example, in the publicly owned utilities (POU) sector alone, there are POU's inside the CAISO Balancing Authority Area (BAA) and outside the CAISO BAA. Of those POU's outside of the CAISO BAA, there are those inside and outside of California. The systems and regions represented are vastly diverse – e.g., some with transmission and others that are transmission dependent utilities, some with very small loads (under 20 MW) and some with large loads (over 6000 MW). Of course, this issue of significant diversity can be said about most of the proposed sectors. One option is to expand the sector representation, while not allowing the Transitional Committee to become unwieldy. For example, the NERC Member Representatives Committee, which, among other things, provides advice to the NERC Board,¹ allows for two sector representatives. This does not appear to be too large for the task and two members per each sector seems appropriate for the Transitional Committee.

In summary, SMUD does not share the CAISO's concern that a Transitional Committee consisting of more than seven members would jeopardize the accomplishment of the committee's goal. In fact, SMUD believes it could enhance the process. Indeed, considering the scope of the proposed EIM and the diverse group of entities in the Western Interconnection, additional members would provide different and important perspectives. Moreover, given the amount of work load during the proposed two-year commitment, and considering this effort is in addition to their daily jobs, two representatives per sector allows collaboration and division of tasks.

¹ According to its website, “[t]he Member Representatives Committee elects independent trustees, votes on amendments to the Bylaws, and provides advice and recommendations to the Board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the corporation.” See, <http://www.nerc.com/gov/bot/MRC/Pages/default.aspx>

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:

SMUD supports an independent EIM governance structure. While this is a matter for further discussion and details, the concept of independence from the existing CAISO governing structure is essential given the regional nature of an EIM. This will allow the future CAISO Board to focus on issues relevant to EIM operations and not be placed in conflict between two potentially diverse sets of interests. Indeed, it is not hard to envision how future operational or cost allocation issues might give rise to conflicts between CAISO and EIM participants.

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

Comments:

A flow diagram would be helpful to ensure clarity of the processes involved in the selection of the Transitional Committee, as well as a diagram showing the expected dates and related timelines for activities of the Transitional Committee and transitions from this structure to that of an independent board.

Additionally, it is unclear how the mechanics of assembling nominees will occur. Will this occur by market notice and a required affirmation of sector by stakeholders? How and/or will trade organizations be able to nominate or participate? At bottom, the detailed mechanics of the selection process is still unclear and given the vast regional scope of interested stakeholders, and needs to be better defined.

Finally, the next version should contain additional clarification of terms, particularly with respect to classes of stakeholders.

6. Any other comments?

SMUD appreciates the CAISO addressing EIM Governance in this separate stakeholder initiative. Establishment of an appropriate Governance structure, both for the initial transition and for the long term, is key for a successful EIM.