

Western Power Trading Forum Comments on CAISO EIM Governance Proposal

Ellen Wolfe, Resero Consulting, 916 791-4533, [ewolfe@resero.com](mailto:ewolfe@resero.com)

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WPTF appreciates the opportunity to comment on the ISO's Energy Imbalance Market (EIM) Governance proposal dated August 13, 2013 and the discussion at the August 20 EIM meeting.

WPTF offers comments in the following areas.

**Additional structure is needed in order for stakeholders to provide meaningful input**

WPTF recognizes that the ISO in engaging in this process from the perspective of not wanting to pre-determine the outcome, and ensuring all interested Stakeholders are equally represented. WPTF supports broad representation. We also recognize that there is a natural dilemma whereby it is challenging to design and seat a transition committee and independent board without knowing the ultimate organizational structure and relationship of the ISO and EIM boards. Yet the ISO suggests that some of these decisions should be left for the transition committee.

In order for stakeholders to provide meaningful input on the best way to design a governance structure, the parameters about how the EIM board will be related to the ISO board, and the extent to which the ISO will cede 205 filing rights on the tariff for example, need to be explicitly established up front. It is WPTF's view that these issues are not only germane to the governance model ultimately developed, but also to the way it is developed. Our views on a suitable transition committee mechanism are strongly dependent on the parameters within which it will operate. We would also suspect that the level of interest of individuals and organizations in participating in the transition committee will be influenced by these parameters.

**The key goal of the EIM governance process should be to reach an end-state whereby a well-designed and consensus-based structure, constitution and role of the EIM independent board is filed with FERC**

WPTF believes the key output of the EIM governance efforts should be the development of a filing to FERC that is vetted broadly that (1) defines the independent board structure, (2) clearly specifies its relationship to the ISO board, including which organization has 205 authority of which tariff sections as well as a means for resolving conflicts on any areas of overlapping authority, and (3) details how the initial and replacement members of the board will be chosen.

While these outputs seem clear, WPTF is less convinced of the specific means by which these outputs are generated, be it through the ISO's proposed transition committee mechanism, through a broad stakeholder process that the ISO administers, or otherwise.

### **More input is needed as to the benefits of the proposed transition committee structure**

The ISO has proposed a stakeholder-segment nominated transition committee that would advise the ISO board as the PacifiCorp EIM goes operational and then ultimately assist in designing an independent board process for the EIM.

WPTF appreciates the ISO's commitment to engaging a diverse set of committee representatives and relying on the input of organizations and representatives not historically represented in the traditional ISO market. WPTF also agrees that an EIM oversight structure distinct from the ISO board is important to the continued expansion of the EIM. As a result WPTF can envision that a transition committee mechanism such as that proposed could add the important representation and perspective sought after. However, WPTF at the same time fears that given inherent challenges the proposed committee may not effectively operate to accomplish its desired output or may otherwise fail to provide the desired legitimacy and quality outputs for a number of reasons, including the following.

- The ISO's proposed stakeholder segment nomination and voting process is complex and time consuming. (It will itself take stakeholder resources from other EIM activities);
- To become an effective well-functioning committee will require an inordinate amount of mobilization and self-organization of existing and emerging interest groups, and all the means for accomplishing the outreach by committee members will have to be created from scratch. This will be a very large effort itself and runs the risk of failing and thereby undermining the objective that the transition committee does a good job of representing a geographically broad set of interests.
- The required skill sets of committee members to (1) get the PacifiCorp EIM up and running and (2) design and vet and seat a new independent board (including addressing all the related political challenges) may be very different, and thereby the ISO's goals of accomplishing these two tasks through a single committee may prove infeasible or ineffective.
- The stakeholder segment nomination and voting structure if not carefully designed and monitored could result in not seating an unbiased, diverse, and effective set of committee members.

For these reasons and others WPTF suggest that the ISO consider further the relative merits of forming and using a transition committee structure as proposed based on the feedback received from stakeholders – including those broader stakeholders the ISO wishes to include in particular for EIM issues - on this proposal. At this time, while WPTF has some significant concerns about the transition committee, such as those indicated above, we remain open to the possibility of the transition committee approach as well as other approaches. The balance of our comments addresses the specifics of the ISO's transition committee proposal.

### **The proposed approach to seating the transition committee seems overly cumbersome**

WPTF appreciates that the development of the governance mechanism needs to be perceived as fair, inclusive, and free from dominance by any one sector, state or organization. This goal is laudable. However, the design in the white paper, with its cross-sectorial evaluation of potential members and

numerical rankings strikes us as far more “process” than necessary, particularly given that its recommendations are not binding on the ISO board. We strongly urge the ISO to re-think its approach to constituting the body that will develop a governance recommendation, with an eye to a less complicated process that can achieve the same goal. One possibility might be to simply issue an “open call” to interested parties to self-nominate. The ISO board, with the advice of ISO staff, could then select a representative body from among those who expressed interest.

### **More details are needed regarding the segments**

It is unclear from the proposal how stakeholders will be identified and segmented. The ISO has records of existing scheduling coordinators, but these SCs are neither linked to specific segments nor do the current SCs represent the totality of all the interested stakeholders for the EIM. WPTF also is somewhat concerned about how market participants that fit into more than one category will be treated. WPTF is aware that in at least one other market IOUs are not allowed to designate themselves also as “generators”. Stakeholders need to consider whether an entity will be considered in only one segment or in multiple segments. And careful consideration is needed to ensure the segmentation does not result in biases.

The segments proposed are broad, and while WPTF does not have specific objections to the limited segments, we note that the generator/marketer segment is somewhat problematic in that generators and marketers at times have opposing interests. Certainly if, based on others’ feedback the ISO expands the number of segments, WPTF requests that the ISO consider splitting the generator/marketer segment.

### **Clarity is needed regarding the ultimate limitations on governance**

The ISO should provide more information about the range of options for EIM governance can consider. As indicated above, whether the EIM governing board will have 205 filing rights for some, or all, of the tariff. If the ISO intends to limit the authority of the EIM the ISO should specify these limitations sooner rather than later.

### **Staff and infrastructure support from the ISO may be very helpful to the success of the transition committee**

To be effective and accomplish the goals of broad representation, the transition committee will need to establish good communication channels with a broad and possibly dispersed set of constituents. The ISO has offered that there may be a liaison to support the transition committee. WPTF also believes that the committee could benefit from staff support and infrastructure support (e.g., list serves, etc.) to communicate with their constituents (or with stakeholders generally if the transition committee does not turn out to be sector based). Such support will aid in allowing members to get input on their sector’s desires, and communicate such things as issues being discussed, options being considered, and progress reports to sector members.

Thank you for your ongoing consideration.