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CAISO Western EIM: EIM Governing Body's Stakeholder Survey Regarding Development of the Governing Body Market Expert Position

Joint Commenters: Western Grid Group; Western Resource Advocates

Survey Topics:

Scope of Issues the GBME Should Address:

In its Part One proposal, the GRC noted that the GBME's role "should be consistent with the Governing Body's mission, which is to promote the success of EIM or EDAM for the benefit of all market participants." The GRC refrained, however, from prescribing a specific set of duties or qualifications for the GBME, explaining that "[t]he retention of, and specific assignments for, the market expert should be left to the discretion of the Governing Body to determine based on its needs."

Questions:

1. What should the GBME's primary focus be?

Joint Commenters ("Western Resource Advocates, Western Grid Group") support the interest of the Energy Imbalance Market (EIM) Governing Body (GB) to retain a market expert ("GBME") as part of the enhancements to EIM governance. Joint Commenters interpret this stakeholder survey as broad in scope and therefore the responses remain at a strategic or policy level and not proposing specific nuances of market design or operating processes of the EIM. Joint Commenters offer some specific considerations as part of the EIM GB determination of the primary focus areas:

1. Clean energy advocates agenda.

- a. The primary focus of the GBME should include not only issues related to the overall market operations and functioning of the EIM but also address any challenges posed by the existing framework or operations of the EIM to the integration of clean energy resources. One of the fundamental drivers in the development of the EIM construct, was the growing supply of clean energy resources and the need to reduce curtailments of such zero-carbon resources. Joint commenters recommend that the scope of issues tackled by the GBME include a goal of ensuring decarbonization is not discounted. Additionally, the current EIM framework inherently lacks an accurate framework to account for greenhouse gas emission reductions (GHG) associated with increased imbalance reserve sharing, where clean energy resources are transacted. Joint Commenters recommend the GBME consider future improvements to GHG accounting policies in all ways possible.

- 2. EIM GB to own discretion on Scope.** Joint Commenters recommend the EIM GB have broad discretion on the selection of the specific areas and related scope for the GBME to take on. They should at the minimum include any existing or new issues involving the continued

expansion of the EIM and also, consider the EDAM as it is essentially, an extension of the EIM framework in the “day-ahead” timeframe. However, pre-selecting specific areas or issues for the GBME to consider would restrict the flexibility needed for the EIM GB to respond to grid-reliability or market design or public policy-based changes that arise. Joint Commenters offer below additional dimensions to the GBME engagement as it relates to the focus areas:

- a. **Close coordination with MSC.** To ensure efficiency and close alignment with the existing CAISO market evaluation activities, Joint Commenters proposes that the GBME try to avoid any duplication of work that the existing Market Surveillance Committee (“MSC”) would take on. In other words, Joint Commenters recommend that the GBME have regular communication with the MSC experts. Doing so would ensure that there is reduced probability of diverging market expert opinions, if or when the MSC and GBME work on similar issues. Coordination on the assessment and review of expert opinions would enhance the intended spirit of partnership through recently approved EIM Governance Review Committee’s Part One proposal on August 29, 2021.
- b. **Unrestricted GBME access to information/data.** As part of the focus, the selected GBME should have unrestricted access to relevant information and/or data from the Department of Market Monitoring (“DMM”). One of the challenges with a growing footprint for real-time based imbalance energy market transactions or a future “day-ahead” market service for the EIM Entities, is the need for unfettered access to information for a market expert to assess evolving trends or identify potential risks to the market products or even the larger grid-reliability concerns.
- c. **Evolving markets and flexibility in portfolio of issues under consideration.** Going forward, today’s wholesale energy markets (real-time, day-ahead and fully organized) will need to evolve rapidly to accommodate dispatch of additional amounts of near-zero cost energy, challenging price formation by ever-smaller amounts of fossil energy, and support large contributions from load flexibility. These market changes will warrant additional system variability that can be met with least cost flexibility options and clean energy generation that is backed by state clean energy goals. Therefore, Joint Commenters recommend the scope of issues to be broad enough to reflect evolving conditions and ensure that the portfolio of issues addresses both demand and supply-sides of the equation.

2. What criteria, if any, should the Governing Body apply in deciding whether to request a GBME opinion on a particular matter?

- a. **Timeliness of GBME assessments.** Since the EIM is a real-time (imbalance reserves sharing) market with the possibility of some market operations or design issues that require urgent resolutions, Joint Commenters recommend that any “informal advisory” peer review assessment be held to a specific deadline. In other words, Joint Commenters propose a 30-45-day turnaround for any review/assessment initiated by the GBME. Additional time could be added for any “advisory input” from the MSC or engagement with the DMM for validation of any assessment or data collection that requires time.

- b. Independence.** The GBME should be unbiased and independent in the manner in which an assessment is conducted that leads to a formal opinion. Independence would include transparent documentation of any experts of stakeholders that the GBME solicits information from, or interacts with for research. The GBME should also ideally track communications to the best of its ability, while being given full liberty to get balanced perspective from various sectoral representations if needed.
- c. Conflict of Interests.** Joint Commenters propose that CAISO undertake standard conflict of interest guidelines to ensure the GBME engagement and resulting advisory opinions do not reflect any bias to a specific sectoral representation or even prior affiliation with a CAISO market participant. Joint Commenters however recognize that a potential GBME selected candidate could have recent CAISO market operations knowledge or hands-on experience, which should be considered favorably, but with appropriate safeguards to ensure the GBME's advisory opinions reflect independent perspectives.

3. How do you envision the GBME supporting the Governing Body in its decision-making process?

Joint Commenters envision the GBME will provide “ex-officio” advisory opinion(s) that allows for the GBME perspective to be used “as is” in deliberations and not be expected to have voting rights as part of decision-making. This is the only way the independence of the GBME would be sustained. If and where possible, Joint Commenters also recommend that the GBME be able to provide its own assessment, which could differ from what is a consensus advisory opinion if the circumstances warrant the same.

Qualifications and Criteria for Selecting the GBME:

The Governing Body currently contemplates that the GBME will be an individual or consulting firm with deep expertise in energy markets. For example, the GBME could be a former utility executive, a former state regulator, an independent consultant, or an academic with relevant market experience. The Governing Body further contemplates that the GBME will need to meet certain conflicts of interest requirements.

Questions:

1. What additional credentials or criteria, if any, should the Governing Body consider in selecting an individual who can successfully fulfill this role?

Broadly, Joint Commenters recommend any GBME candidates should have a good understanding of the current Western Interconnection that includes the interaction of the bilateral market for energy with CAISO-based organized market operations. Further, the criteria should reflect a balanced consideration of market experience with a deep understanding of the existing pancaked transmission system, the variety of market participants in the EIM, and finally, an appreciation of the public policy mandates and requirements across western states as the EIM footprint continues to expand. In the eventuality that the EDAM is operational in a few years, Joint Commenters recommend

that additional criteria be identified in an EIM GB future process and not be determined through this specific stakeholder survey solicitation.

Interaction with Stakeholders and the Stakeholder Process:

The Governing Body is considering how the GBME can most effectively interact with stakeholders, including the possibility of providing both written opinions and oral remarks at public meetings of the EIM Governing Body.

Questions:

1. Do you have any thoughts on how the EIM GBME could most effectively engage with stakeholders?

The GBME should have broad discretion to convene public stakeholder forums/workshops as needed and engage assistance of CAISO staff in preparing their assessments as needed. Further, if the issues at stake have potential overlap with the MSC deliberations or scope, the GBME and MSC could consider hosting “joint workshops” to facilitate stakeholder input on the issues under consideration. Additional approaches to demonstrate an inclusive philosophy could include the use of a position matrixes (or other compilation) that would summarize all stakeholders’ comments, demonstrate how or why recommendations were accepted or excluded, and the final resolution(s) that are adopted or proposed by the GBME. Joint Commenters also propose the GBME to consider ways to share or raise issues “post-completion of the assessment” with the Regional Issues Forum (RIF) in ways appropriate and in alignment with the RIF charter. This would allow for the RIF to appreciate any “lessons learned.” The GBME should also be empowered to make public presentations to provide instructive communication on complex issues if the advisory opinions result in critical changes or EIM GB approved enhancements to the EIM (or EDAM).

Thank you for considering our comments. Signatories to these survey responses are below:

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