

## Memorandum

**To:** Energy Imbalance Market Governing Body

**From:** Roger Collanton, Vice President, General Counsel

**Date:** March 5, 2019

**Re: Briefing on Proposed Revisions to Decisional Classification Rules and Decision on Advisory Role**

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***This memorandum requires EIM Governing Body action.***

### EXECUTIVE SUMMARY

Management proposes revisions to enhance and thus incrementally expand the Western Energy Imbalance Market Governing Body's current "primary authority" role for approving changes to market rules. These changes will be reflected in the decisional classification rules set forth in two governance documents for the Western EIM: the *Charter for Energy Imbalance Market Governance* ("Charter") and the *Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body* ("Guidance Document"). The proposed revisions give the EIM Governing Body primary authority over proposed changes to generally applicable real-time market rules when the primary driver for the change is EIM.

The proposal has been posted for stakeholder review and comment and has received broad stakeholder support. Copies of the revised documents are attached for reference as attachments A and B. The decision on these changes is within the EIM Governing Body's advisory role, and thus Management asks that the EIM Governing Body provide advisory input to the ISO Board of Governors supporting the proposal.

Management proposes the following motion:

***Moved, that the EIM Governing Body will provide [written/verbal] advisory input to the ISO Board of Governors, supporting the proposed revisions to the Charter and the Guidance Document, as attached to the memorandum dated March 5, 2019, and as discussed at its March 12, 2019 general session meeting.***

### BACKGROUND

When the EIM Governing Body was established, the ISO Board of Governors delegated primary authority to the Governing Body for approving or rejecting any proposed

changes to market rules embodied in the Tariff that are EIM-specific. This authority includes rules that either apply uniquely to EIM balancing authority areas or apply differently to EIM balancing authority areas than to other areas within the ISO's real-time market. The Board also vested the EIM Governing Body with advisory authority over any proposed changes to generally applicable real-time market rules and to other generally applicable rules embodied in the Tariff that apply to participation in ISO markets. This delegation is embodied in a set of decisional classification rules that are set forth in the Charter and further discussed in the Guidance Document.

Section 2.2.4 of the Charter directs the EIM Governing Body to initiate, by no later than September 2020, a review of EIM governance in light of accumulated experience and changed circumstances. Towards the end of 2018, the EIM Governing Body decided that in light of the rapid growth of the EIM since its inception, it was timely to commence the EIM Governance Review contemplated in the Charter. In December 2018, at the request of the EIM Governing Body, the ISO staff published a straw proposal and issue paper to commence the review.

As discussed below, the December 2018 paper proposed an incremental expansion of the EIM Governing Body's primary authority for approving market rules. The paper also identified a broad array of issues that potentially could be included in the EIM Governance Review and sought stakeholder comment on which issues should be addressed and on the process and timing for the broader review. Based on positive stakeholder input on the straw proposal, ISO staff issued a paper on February 11 that converted the straw proposal into a draft final proposal and provided stakeholders with an additional opportunity to comment on the proposal.

In this memorandum, Management proposes to move forward with the next step in implementing this proposal, which is the submission to the EIM Governing Body for its advisory input to the Board.

## **PROPOSED REVISION**

Under the current decisional classification rules a proposal to establish or revise a generally applicable real-time market rule falls within the EIM Governing Body's advisory authority. Management proposes to modify this rule so that a subset of such proposals would fall within the EIM Governing Body's primary authority. Specifically, Management recommends vesting the EIM Governing Body with primary authority over any proposal to establish or revise a generally applicable real-time market rule where the primary driver for the proposal is an issue specific to the EIM balancing authority areas. Changes to generally applicable real-time market rules that do not meet this primary driver test would remain within the EIM Governing Body's advisory authority.

Management proposes this change to ensure that the governing authority with the greater substantive interest in the proposal plays the lead role in deciding whether to

approve a filing with the Federal Energy Regulatory Commission to implement the rule change. Where EIM is the primary driver for a change to a generally applicable real-time market rule, it is reasonable to assume that the EIM Governing Body is the governing body with the greater interest in deciding whether the proposal should go forward. As with all other matters within the EIM Governing Body's primary authority, the proposal would still need to go to the Board for approval using the streamlined consent agenda process applicable to such items.

The necessary revisions to the Charter and the Guidance Document are attached to this memo as attachments A and B, respectively.

## **STAKEHOLDER FEEDBACK**

There is broad stakeholder support for this proposal. Stakeholders had two opportunities to comment on the proposal, in response to the December 14 and February 11 papers. Every stakeholder that directly addressed the proposal supports it.

The stakeholders that voiced support included utilities both within California and throughout the current and prospective EIM balancing authority areas, including investor-owned and publicly-owned utilities, customer groups, and a major federal power marketing administration (Bonneville Power Administration). The proposal also received support from various public interest groups and from the Western EIM Body of State Regulators.

Stakeholders, moreover, did not propose any substantive changes to the proposal, nor did they recommend any changes to the specific revisions to the EIM governance documents attached to this memorandum.

## **CONCLUSION**

Management believes this proposal would be a valuable enhancement to the current decisional classification rules and requests that the EIM Governing Body adopt a motion advising approval to the Board.