

## Energy Imbalance Market Governance Initiative

Submitted by	Company	Date Submitted
Alan Meck, <a href="mailto:alan.meck@cpuc.ca.gov">alan.meck@cpuc.ca.gov</a> , 415-703-5324  Candace Morey, <a href="mailto:Candace.morey@cpuc.ca.gov">Candace.morey@cpuc.ca.gov</a> , 415-703-3211  Luisa Elkins, <a href="mailto:Luisa.Elkins@cpuc.ca.gov">Luisa.Elkins@cpuc.ca.gov</a> , 415-703-1219	California Public Utilities Commission	September 10, 2013

- 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: CPUC staff is concerned that as written, the Transitional Committee’s charter to develop an independent governance structure does not provide a transparent and robust opportunity for CAISO stakeholder input on this extremely important function, and allowing the Transitional Committee to present its governance structure to the CAISO Board without vetting by the stakeholders may exceed the authority granted to advisory committees under the CAISO bylaws. Rather than having a Transitional Committee develop a proposed independent EIM governance structure for submission to the CAISO Board, the proposal should be developed through the CAISO’s normal stakeholder process and presented by CAISO management, with opinions and input to be provided by the Transitional Committee. The CAISO should not give short shrift to the governance issue. There needs to be a transparent and robust process for creating the permanent EIM structure.

The CPUC Staff is unclear if having the Transitional Committee develop and present the permanent governance proposal is consistent with the CAISO’s bylaws for advisory committee. The Transitional Committee is to be set up as an advisory committee under the existing CAISO bylaws, but the bylaws do not expressly allow for advisory

committees to submit proposals to the ISO Board for approval. According to the CAISO bylaws, “[a]dvisory committees have no legal or expressed authority to act for the Corporation, but shall report their findings and recommendations to the Governing Board or Committee of Governors thereof.” The CPUC staff is not certain if the CAISO considers proposed tariff amendments to be a “recommendation”, or whether other advisory committees have developed and submitted a proposal for a vote by the CAISO board in the past. Rather, the CPUC staff supports the CAISO following a process in which the advisory committee submits its opinions to the board on a governance proposal that is developed pursuant to the CAISO’s typical stakeholder process and submitted by the CAISO management. Accordingly, the CPUC recommends that the CAISO should delete the portion of the proposal that provides the following:

"The Transitional Committee charter will provide some basic guidelines and parameters for such an EIM governing structure, but only at a very general level. Major policy and design aspects of the proposal will be for the Transitional Committee to develop through its own process. The proposal developed by the committee for an independent EIM governing structure will be submitted to the ISO Board for consideration and approval."

Instead, the CAISO should structure the Transitional Committee to perform the first-envisioned role of *advising* the Board as to its position on ISO-management developed proposals relating to the EIM and specify that the EIM governing structure will be developed through the usual CAISO stakeholder process.

**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: No comment at this time.

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

Comments: No comment at this time.

**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: The EIM Governance structure is critical part of the larger EIM initiative, as it will determine how the EIM will be run, who is elected to govern, and because it is intended to operate as an entity that is separate from CAISO, PacifiCorp, and any others who may choose to join in the future. The intent is to allow EIM participants and EIM participating resources to have a role in the decision-making of EIM. Staff is concerned that the CAISO is not providing sufficient time and process for a robust and transparent development of the independent governance body. Governance is a critical issue and the structure needs to be carefully crafted with robust stakeholder input and comment on the various proposals; it should not reflect only the views of the transitional committee members. Accordingly, the CPUC staff recommends that the CAISO revise the proposed second role of the Transitional Committee to allow the EIM governance proposal to be developed through a traditional CAISO stakeholder process, with input and opinions provided by the transitional committee members.

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

Comments: If the CAISO decides to maintain the Transitional Committee as currently proposed, then the CAISO should provide confirmation that this role is legally appropriate for an advisory committee and to provide examples of other instances where advisory committees have played such a role in developing and submitting an actual proposal for a vote by the CAISO board.

The CAISO should also specifically require the Transitional Committee to follow the general structure of a CAISO stakeholder process while developing the proposal in order to ensure sufficient stakeholder participation in the development of the final governance proposal. The current proposal does not describe any process for how the Transitional Committee will develop the final governance structure, and there is no explicit guarantee that the Transitional Committee engage with stakeholders to develop the final proposal for the independent governance structure. Rather, the CAISO should

require transparency and continued stakeholder engagement as the committee works towards a final proposal. Having the opportunity to comment on the Transitional Committee alone, twice, at the beginning of a two-year long process, is not concrete enough to say that there has been sufficient input from stakeholders.

**6. Any other comments?**