

**Stakeholder Comments and EIM Transitional Committee Responses to the
Energy Imbalance Market Governance Issue Paper dated January 5, 2015
Matrix posted March 23, 2015**

Comment Areas	Stakeholder Comments	EIM Transitional Committee Response
Board Composition and Nomination Process	APS, CMUA, EWEB, ORA, PSE, Southern California Edison	
<i>EIM Board Nomination/Composition</i>	<p>CMUA notes that it does not believe it is necessary for the EIM Board to be composed of non-affiliated persons. CMUA states it would be permissible to have interested Board members in any of the three options identified by the Issue Paper.</p> <p>EWEB encourages the committee to engage stakeholders that are reflective of the diverse geographical and functional roles of the membership in the market footprint, including those within the public power community. To the extent that the board is comprised of independent members, EWEB recommends the creation of a stakeholder group and vibrant stakeholder process to provide ongoing input to the independent, autonomous board.</p> <p>ORA recommends an EIM governance model wherein the members of the EIM board have staggered 3-year terms. The Transitional Committee should discuss in greater depth these particular facets of the composition of the EIM board so that stakeholders have an opportunity to provide input on these considerations.</p> <p>PSE comments that although CAISO currently has a Board Nominating Committee consisting of members from a range of stakeholder sectors, this does not ensure equitable regional representation, or require that EIM Entity interests be represented in the nominating committee. Additionally, the California Governor and legislature have the ultimate authority for appointments to the CAISO Board, and have no obligation to follow the suggestions of the Nominating Committee in appointing members. In contrast, other RTO/ISO models allow for members to make the final determination on Board nominations. The current CAISO Board of Governors selection process provides California (over any other state</p>	<p>See Straw Proposal at IV C, Page 14.</p> <p>The committee agrees that diverse geographical representation and experience is essential for the EIM Board. Independence is, however, a key feature of a governance structure that treats all market participants fairly. The committee believes that by having a national recruitment reach and a nomination process that features a role for all stakeholder classes, that the goal of finding geographically diverse, experienced and independent board members can be accomplished.</p> <p>The committee agrees that terms should be staggered and is recommending 3 year terms on a staggered basis.</p> <p>The committee agrees that EIM entities should be relied upon for meaningful input and the Straw Proposal provides for that. The EIM governing body will select future members and the process for doing that will be established and may be changed by the independent body then or in the future.</p>

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	<p>represented, or potentially represented, by the regional footprint of the EIM) with inequitable and unparalleled influence over the governance of the CAISO-administered markets, including the EIM. For these reasons, PSE seeks to ensure that without incurring unreasonable costs, the EIM governance structure, much like other RTOs/ISOs in existence today, will be <i>regionally</i> focused, with no state, subregion, individual entity, or market segment having inequitable influence or decision making power.</p> <p>Xcel Energy provides comments for both scenarios with independent directors: The nomination of directors should include significant, meaningful input from the EIM Entities. The election of directors should be based on EIM Entity ballots, once there is a plurality of EIM Entities, with one ballot per non-affiliated EIM Entity. The rules surrounding the nomination process must be clear, approved by members, and account for the expansion of membership</p>	
<p><i>ISO Board Nomination/Composition</i></p>	<p>APS inquires as to whether there has been any consideration to change in the structure of the CAISO Board nomination/composition given the EIM expanding the geographical reach of the CAISO (and with potential for more expansion). APS recommends that having one or more members of the ISO Board selected by a nominating process similar to the EIM governing body selection should be considered going forward.</p> <p>Southern California Edison states that it appears the driver behind an autonomous EIM governing board is a view that it needs a voice that is not elected by the governor of California. In this case, did the Committee consider modification to the existing governing board? The current Board has been extremely responsive to EIM concerns as shown by three filings to FERC to resolve high EIM prices with the first filing occurring within 13 days of EIM operations. SCE recommends a cautioned and thoughtful approach to any changes in governance as the current CAISO board is attentive to the</p>	<p>See Straw Proposal at III D</p> <p>The Committee recognizes that nothing in the ISO tariff prevents the selection of board members from outside of California. Changes in the market platform should additional services be offered, may require tariff changes at the ISO and statutory changes by the California legislature.</p>

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	concerns of constituents in the EIM Entity Area.	
<i>Nomination Process</i>	<p>APS supports the nomination process concept to elect the EIM governing body, and proposes that EIM participants should have an approval vote over the independent candidates on the governing body. Since the EIM governing body could have EIM-related decision rights, EIM market participants need a voice in the approval process to ensure that their interests are fully represented by the governance body.</p> <p>PSE identifies that following structural issues that should be addressed:</p> <ol style="list-style-type: none"> I. Term limits for the members of the EIM governance committee; II. A cap on the number of members on the EIM governance committee; III. Composition of the governance committee, which should ensure representation for each EIM Entity (providing equitable regional representation), each of the seven sectors outlined in the Transitional Committee Charter, CAISO itself, and a set number of independent members; IV. Nomination of the EIM governance committee, which should be done via a committee of EIM market participants (including CAISO), EIM Entities, and the seven sectors outlined in the Transitional Committee Charter. PSE opposes self-nomination by the EIM board; and V. FERC should approve the initial governance proposal and any subsequent changes to the governance and voting structure. <p>PSE supports the more autonomous “Governing Board” model. Regarding the development and structure of the EIM Governing Board, PSE offers the following comments:</p> <ol style="list-style-type: none"> I. <i>Board Nominee Review Committee</i> - PSE supports a change in 	<p>See Straw Proposal at IV C, pages 14-18.</p> <p>Nominees for the EIM governing body would be identified by a nominating committee comprised predominantly of stakeholders, both when the body is established initially and over time as vacancies occur. Four stakeholder sectors would be represented: EIM Entities (as defined in the ISO tariff), Participating Transmission Owners (as identified in the ISO’s Transmission Control Agreement) and other entities that serve load in the ISO’s balancing authority area (except publicly-owned utilities), suppliers of generation within an EIM balancing authority area, including the ISO’s balancing authority area, and publicly-owned utilities located within an EIM balancing authority area (including the ISO’s balancing authority area). The stakeholder representatives for each sector would be selected through a process controlled by that sector, similar to the processes that were used to establish the membership of the EIM Transitional Committee and that are used in connection with the nominee review committee for the ISO Board of Governors.</p> <p>The stakeholder representatives on the</p>

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	<p>the structure of the CAISO Board Nominee Review Committee to ensure that EIM Entities and regional interests are represented on the committee in equitable proportion to their participation in the ISO markets. In order to ensure checks and balances in the nomination process, the committee could also be changed to guarantee membership for representatives from state utility commissions and a set number of independent members selected by class sectors. In order to avoid delay or impasse in the voting process, the voting structure of the Board of Nominee Review Committee could be formatted similarly to the NYISO's Shared Governance process, allowing for an allocation of votes to each sector based on the sector's percentage of market share.</p> <p>II. <i>EIM Governing Board</i> - PSE supports the Governing Board model, as it is more autonomous than the Advisory Committee model, and more financially responsible at this juncture than the Autonomous Separate Entity model. PSE requests that the Transitional Committee establish a process to ensure representation for any new EIM Entities prior to engagement in the EIM, and to ensure that the EIM Governing Board includes:</p> <ul style="list-style-type: none"> • A representative of each EIM Entity; • Stakeholders from the seven sectors outlined in Transitional Committee Charter, including state agencies; • CAISO; and • A set number of independent seats that are regionally representative. <p><i>EIM Governing Board Nominating Committee</i> – The EIM Governing Board Nominating Committee should select EIM Governing Board members. This should <u>not</u> be a self-nomination process as proposed in Page 9 of the issue paper and the committee should consist of:</p>	<p>nominating committee would be the voting members in the sectors listed above, but it would also include non-voting members. The committee would act by consensus of the voting members, which should inspire confidence in the selection process because it will yield only nominees who are acceptable to and endorsed by representatives of all four stakeholder sectors. See the straw proposal for the list of non-voting stakeholder members and more about the nominating process.</p> <p>The Committee proposes that this governance structure be reevaluated and changed if necessary based upon several suggested conditions or “triggers” occurring or a set length of time elapsing</p>

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	<ul style="list-style-type: none"> • A representative of each EIM Entity • Stakeholders from the seven sectors outlined in Transitional Committee Charter, including state agencies; • CAISO; and • A set number of independent seats that are regionally representative. <p>The Sonoran Institute supports development of specific criteria for the nomination and selection of governing body members. These criteria should be explicit that candidates and appointed governing body members must be independent from market participants. The Sonoran Institute suggests that the selection criteria focus primarily on a set of desired skills and expertise and should not be limited to sectoral or geographic representation.</p>	
Proposed Governance Models	APS, Avista, AWEA, Chelan PUD, CMUA, CPUC, EWEB, Interwest, NWPPA, ORA, PacifiCorp, PGE, PG&E, Powerex, PPC, PSE, PUCN, Seattle, Six Cities, Sonoran Institute, Southwestern Power Group, Vote Solar, Western Grid Group, WRA, Xcel Energy	
<i>Option 1: Advisory Committee</i>	APS, Avista, and Seattle do not support the first governance model proposal of an advisory committee to the ISO Board because it is an inadequate governance structure for EIM, the EIM governing body should have a decision-making role and serving strictly in an advisory capacity does not satisfy that priority. Seattle notes that the advisory committee does not have authority and does not address the lack of independence from California. CMUA and Six Cities agree that this option falls far short of the level of autonomy required if the EIM is envisioned as a robust regional market structure and urges this option to be taken out of further consideration. The Six Cities expect that the first model is likely to be a non-starter from the perspective of market participants located outside the CAISO BAA and states that it would be understandable, if not necessarily accurate, that market participants outside the CAISO BAA may perceive an	<p>See Straw Proposal at III A, Page 5</p> <p>The committee agrees that the advisory committee structure is not the best construct for the EIM and does not recommend it.</p> <p>Although the Committee recommends a delegated authority model at this point, it agrees with comments suggesting that the ISO and the EIM governing body should commit to re-evaluate and potentially adjust the governance in the not-too-distant future as circumstances may warrant. Some of these</p>

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	<p>EIM governing board limited to a purely advisory role to the CAISO Board as having insufficient authority to represent adequately the interests of non-CAISO market participants.</p> <p>ORA recommends that if Model 1 or Model 2 is selected, the addition of a provision, whereby a threshold number of balancing authorities to the EIM triggers an opportunity to revise the structure of the EIM governance model.</p> <p>Southern California Edison states that an EIM Advisory Board would be valuable resource for current governing Board. To carry out their responsibility, the ISO Board relies on two independent organizations, the Department of Market Monitoring and the Market Surveillance Committee. There is no reason that an EIM advisory council cannot have a meaningful voice to the Board on EIM matters. The current EIM Transitional Committee charter would require independence of the council; however, the Transitional Committee is seeking comments if independence is necessary for an advisory body. Because the role is advisory, there could be market participants in the membership similar to the current EIM Transitional Committee. However, there is the risk that recommendations would be split between load serving and generation entities, which would prevent a majority recommendation. Even with disagreement, it would be expected that each group would state their case for informing the board the issues behind their recommendation. The Board would still have the responsibility to reach an impartial decision.</p> <p>Southwestern Power Group states that it is advisable for the Advisory Committee to have some degree of authority to change market rules, improve operation of the market and not rely 100% on the ISO Board for such changes. Could the "Advisory Committee" model involve a board that consisted of stakeholder representatives, like the Transitional Committee, instead of independent members? Yes. Would it be possible for such a</p>	<p>commenters recommend that the ISO should both immediately adopt governance consistent with the “delegated authority” model, because it would be an improvement over the current situation, and also consider or commit to working toward governance consistent with the “autonomous separate entity” model. A broader set of commenters makes the related point that any governance structure that is adopted for EIM must be evaluated and reconsidered over time.</p> <p>The Committee believes the Delegated Authority Model would offer stakeholders significant Influence over market rules and promote close collaboration among all interests. The Committee believes that the most viable way to address the difficult issues that stem from interaction between markets would be to govern EIM through a body that works closely with the ISO Board and has certain delegated authority over EIM market rules, along the lines generally set forth in model two in its January 5 issue paper. As discussed in more detail in Section III D, this proposal would vest the EIM body with tangible authority to dictate the shape of market rules within its primary authority while directly influencing other rules through a formal advisory role.</p>

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	<p>stakeholder group to reach agreement concerning market rule changes given their conflicting financial interests? Yes. Would it matter if the body could not reach unanimity? No. Southwestern Power Group notes that the Committee notes its charter does not contemplate an EIM body that would include stakeholder representatives. The Committee nevertheless seeks stakeholder feedback on the issue because it understands that an important driver for having an EIM body comprised of members who are independent of stakeholders would be to enable the ISO to delegate types of authority to the body. Would it be preferable to have a body that includes stakeholder representatives even if that meant the body would have advisory authority only? We believe this would be helpful, however the real issue is the number of stakeholders/classes of members and the voting rules.</p> <p><u>Xcel Energy Comments on Advisory Committee Input to the Existing CAISO Board of Governors</u></p> <p>Given the established independence from market participants of the CAISO Board, we believe that independence criteria for the Advisory Committee would not be needed. In this scenario the stakeholders input process and the independent governance are already established through existing CAISO institutions. We recommend the advisory structure to be provided from the EIM Entities, with one advisory committee seat per operating EIM Entity. This will ensure clear and direct technical and operational interface to the CAISO Board from the parties acting directly in a critical coordination role with the CAISO market. Unlike the CAISO's MSC, however, since the EIM Entities are all involved in the provision of transmission service to enable the EIM, we propose their Advisory Committee roles would be uncompensated. All other inputs to CAISO regarding EIM activity would track the established CAISO stakeholder input process, avoiding the duplication inherent in the other governance scenarios. Since the combined CAISO/EIM footprint is larger than the historical CAISO, some recognition of the expanded market's geographic diversity when California selects the</p>	

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	<p>Board of Governors would likely be appreciated and well-received by EIM Entities. In this scenario the EIM Entities retain their option to exit at no fee, which mitigates their potential concerns with their limited ability to establish either fully-autonomous governance or a delegated-authority governance arrangement under the other scenarios.</p>	
<p><i>Option 2: EIM Governing Board</i></p>	<p>APS would like the Transitional Committee to look and propose variations of this structure that provide different governance and decision-making benefits. APS suggests thought be given to distinctions on matters such as:</p> <ul style="list-style-type: none"> • What does “primary” versus “secondary” authority mean in terms of decision making? • Can one authority veto or override the other? • Are there certain topics where distinctions can be made on decision-making authority? • How are decisions made on which activities fall under the purview of the EIM Body’s primary governance, versus the Board’s governance? <p>CMUA would note that if the Committee recommends the Governing Board option, a minimum criterion for separation from the CAISO Board is that there be complete autonomy. CMUA believes any residual veto authority would render the independence of such a structure illusory and lend itself to self-censorship and impede the ability to the EIM Governing Board to exercise its fiduciary duty.</p> <p>EWEB recommends a phased approach in which the Transitional Committee moves expeditiously to implement a governing board with delegated scope while committing to move to a fully independent and autonomous organization in a rational and cost effective manner. This approach provides the opportunity for CAISO to work through issues in an orderly and efficient manner to create a cost effective structure, while</p>	<p>See Straw Proposal at III C Page 11</p> <p>Although the Committee recommends a delegated authority model at this point, it agrees with comments suggesting that the ISO and the EIM governing body should commit to re-evaluate and potentially adjust the governance in the not-too-distant future as circumstances may warrant. Some of these commenters recommend that the ISO should both immediately adopt governance consistent with the “delegated authority” model, because it would be an improvement over the current situation, and also consider or commit to working toward governance consistent with the “autonomous separate entity” model. A broader set of commenters makes the related point that any governance structure that is adopted for EIM must be evaluated and reconsidered over time. This would include such issues as legal and executive staffing.</p> <p>The Committee believes the Delegated Authority Model would offer stakeholders significant Influence over market rules and</p>

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	<p>immediately improving the governance model. EWEB believes that it is imperative that the committee commit to a cost effective, independent structure as the ultimate objective. While maintaining independence of governance, EWEB encourages the Transitional Committee to leverage the existing infrastructure currently in place to minimize costs of the EIM.</p> <p>Interwest supports elements of the second conceptual model, the creation of an EIM governing body with authority delineated under CAISO's bylaws. Interwest believes this model could honor existing institutional roles and market responsibilities, provide for transparency and accountability, and allow for ease of participation, which will promote the EIM expansion overall.</p> <p>ORA recommends the adoption of a mechanism that would enable the reconciliation any potential inconsistencies that may arise from two separate entities producing a single CAISO tariff. The Transitional Committee should discuss in further detail its vision of this process and what potential mechanisms could be implemented to ensure that the process of producing the integrated ISO tariff is well-coordinated between the two governing entities.</p> <p>PacifiCorp believes that, on balance, an independent governing board is the best model for EIM governance. PacifiCorp continues to support a governance model that will facilitate additional participation, which will best be accomplished by an independent governing board.</p> <p>PSE supports option 2 coupled with the specific suggestions addressed in these comments below. Though PSE sees potential benefits in the third option (the Autonomous Separate Entity model) – specifically the enhanced possibilities for equitable and regionally focused governance of the EIM – PSE currently supports the Governing Board model due to the potential for high costs associated with the Autonomous Separate Entity</p>	<p>promote close collaboration among all interests. The Committee believes that the most viable way to address the difficult issues that stem from interaction between markets would be to govern EIM through a body that works closely with the ISO Board and has certain delegated authority over EIM market rules, along the lines generally set forth in model two in its January 5 issue paper. As discussed in more detail in Section III D, this proposal would vest the EIM body with tangible authority to dictate the shape of market rules within its primary authority while directly influencing other rules through a formal advisory role.</p> <p>With regard to staffing, the committee proposes that the EIM governing body would be supported by ISO staff, including one full-time ISO staff member who would have a dedicated responsibility to serve the needs of the Body and ensure that the Body receives the support it needs from other ISO staff. Should the review of the EIM governance structure result in the need for separate staffing to support a different governance construct, the EIM body could make that decision at that time.</p>

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	<p>model, and the limited number of current market participants among which to allocate these costs.</p> <p>The PUCN prefers the second model because it seems to be the most practical. The "Governing Board Established by California ISO Bylaws" model appears to strike an appropriate balance between creating independence from the ISO and limiting costs. Moreover, it seems to offer enough autonomy to maximize the overall benefits of the EIM.</p> <p>Renewable Northwest would like to see more details about which responsibilities and authorities would be delegated to the EIM board. Under such a structure, would the CAISO Board have veto power over any of the EIM board decisions, and if so, which ones? In general, how would any conflicting decisions between these two boards be handled?</p> <p>Southern California Edison notes that an EIM governing board under CAISO By-laws must be limited in scope to issues that do not impact pricing or settlement rules in the various markets operated by the CAISO.</p> <p>The Six Cities believe that the second model discussed in the Issue Paper is most likely to lead to a governance structure that will maximize benefits for all EIM participants. The Six Cities base this conclusion to a significant degree on a process of elimination by reference to perceived flaws with the other two models discussed in the Issue Paper.</p> <p>Overall, the Sonoran Institute support elements of the second conceptual model, the creation of an EIM governing body with authority delineated under CAISO's bylaws. If properly designed and implemented, we believe that this model could honor existing institutional roles and market responsibilities, provide for transparency and accountability, and allow for ease of participation for interested entities. While supportive of the development of regional energy markets, we believe that the CAISO bylaw</p>	

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	<p>EIM Entities will be obligated to interface with two independent bodies, both the CAISO Board of Governors and stakeholders and also the EIM Independent Board and stakeholders. On the upside, this scenario can be useful in preserving the no-cost exit option for EIM Entities, unlike the autonomous option. Further, this option addresses the “tie-breaker” issue in the case of divergent interests between CAISO and the EIM Entities, with CAISO’s independent Board of Governors clearly retaining its full authority when granted deference is infeasible. That might be a small price to pay in order to retain the no-cost exit option. Xcel Energy commends the CAISO Board of Governors and CAISO management for making this option available in recognition of the stakeholder’s who prefer some autonomous governance (to the extent of delegation) yet desire to retain the benefits of swift and low-cost exit. Lastly, we would appreciate if CAISO staff can confirm that this option satisfies the CAISO’s risk concerns regarding tax-exempt status and statutory enablement.</p>	
<p><i>Option 3: Separate Autonomous Entity</i></p>	<p>Avista believes the Transitional Committee should pursue a structure where the EIM governing body is a completely separate entity from the CAISO Board of Directors. Avista agrees that cost control is necessary and that an autonomous separate entity could create additional cost risks as described; however, further exploration of ways to manage cost risk and create a separate EIM governance body is worthy of time and effort with the stakeholder community. Avista believes that the EIM governance structure must balance all of the following interests: the EIM governance body must be responsible to the EIM, the BAAs that utilize it, and all of the retail customers being served by this market, without a preference for the customers of one state over another.</p> <p>Chelan PUD believes separation from the existing CAISO governance is critical and will ensure that the EIM is operated in the most effective and transparent manner, while taking into account the consequences for neighboring systems and markets beyond the CAISO footprint. There are</p>	<p>See Straw Proposal at III B, Page 6</p> <p>The Committee believes the Delegated Authority Model would offer stakeholders significant Influence over market rules and promote close collaboration among all interests. The Committee believes that the most viable way to address the difficult issues that stem from interaction between markets would be to govern EIM through a body that works closely with the ISO Board and has certain delegated authority over EIM market rules, along the lines generally set forth in model two in its January 5 issue paper. As discussed in more detail in Section III D, this proposal would vest the EIM body with tangible authority to dictate the shape of</p>

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	<p>significant reservations in the Pacific Northwest about relying on an organization that will be responsible for wholesale market structure that was established by and is still accountable to the California legislature. Chelan PUD states that without the adoption of something like Option 3, this fundamental governance issue will be a major stumbling block for any utility considering participation in CAISO markets that is accountable to consumers outside of California.</p> <p>The CPUC notes that instituting a separate or fully autonomous EIM governing board will increase the governance costs and raises questions of how authority over tariff provisions can be divided while maintaining a tightly integrated and efficient market. The Committee should also explore these issues in greater details with stakeholders before it selects one model to pursue for development. CPUC also states that the Committee should flesh out and provide more details on what the required operating budget would be for an EIM governing board under <i>each</i> model so that stakeholders can make informed decisions about how the costs of each would affect the cost/benefit ratio for EIM participants. With respect to dividing authority over different tariff provisions, the CPUC notes that as experience with the initial “go live” of the EIM demonstrated, it is not clear if it will be possible to simply divide oversight of “the EIM tariff sections” from the other CAISO tariff sections, because they interact to affect market prices and efficiencies (and the potential for market dysfunction or manipulation).</p> <p>EWEB believes an autonomous structure is the most likely to be successful both in terms of ongoing operations, as well as its ability to attract new participants.</p> <p>NWPPA recommends that the third alternative, the development of a Separate Entity with authority over market rules and responsibility for funding its activities, be fully explored. Many of NWPPA’s members remain</p>	<p>market rules within its primary authority while directly influencing other rules through a formal advisory role.</p> <p>The committee agrees that that the EIM governance structure must balance all of the following interests: the EIM governance body must be responsible to the EIM, the BAAs that utilize it, all of the retail customers being served by this market, and the general public, without a preference for the customers of one state over another. We believe the proposal provides for these needs and the reevaluation process allows for moves toward further autonomy if that best benefits the market and all its stakeholders.</p> <p>Accordingly, while the Committee recommends a delegated authority model at this point, it agrees with comments suggesting that the ISO and the EIM governing body should commit to re-evaluate and potentially adjust the governance in the not-too-distant future as circumstances may warrant. Some of these commenters recommend that the ISO should both immediately adopt governance consistent with the “delegated authority” model, because it would be an improvement over the current situation, and also consider or commit to working toward governance consistent with the “autonomous separate entity” model. A broader set of commenters</p>

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	<p>or a delegated authority that is independent of the CAISO Board as an alternative. With CAISO's intent to further expand the EIM outside of PacifiCorp and NV Energy's service territories, it will require greater coordination and collaboration of a governing body that is independent of CAISO's Board and its obligations to protect California interests. More discussion is required to lay out the additional cost structure of an independent model, its initial estimate and what type of funding is needed to operate the EIM autonomously.</p> <p>In Powerex's view, the separate governance and administrative structure envisioned as part of Option 3 is the minimum level of independence required to ensure that the EIM is operated in a manner that takes the interests of all affected regions and ratepayers into account. In addition to the independent staff and tariff contemplated by the Transition Committee under "Option 3," the new independent EIM Governing Body must be required to ensure that pre-existing EIM administrative structures—including market rules and procedures—that were developed by the CAISO under the existing governance model are examined and modified, where appropriate, to better reflect the broader interests of the regions in which the EIM will operate. CAISO statements in the EIM Year 1 Enhancements proceeding make clear that there are existing elements of CAISO's markets that are designed to elevate the interests of CAISO and its ratepayers over the interests and rights of those taking service on adjacent systems. It would be prudent for any newly-established EIM body to take a clear-eyed look to identify and eliminate any such biases. An independent governance and administrative structure is critically important in the context of CAISO's multi-state EIM. The expanded EIM footprint currently spans six states – each with its own, sometimes conflicting, interests – and encompasses both the CAISO's organized market framework and the OATT framework employed by PacifiCorp. Ensuring that these diverse interests and structures are taken into account and accorded equal weight and respect requires a governance structure that is not beholden to the interest of any</p>	<p>in turn would undermine the low-cost entry/easy exit model that the EIM currently offers potential market entrants.</p> <p>More specifically, this approach would impose three broad new types of cost:</p> <ol style="list-style-type: none"> 1. Up front and ongoing costs to establish, staff, house, equip, and operate a new stand-alone company, separate from the ISO, that would serve as the ISO's contracting counterparty and hold the responsibility for developing and overseeing its own tariff with a complete set of market rules. 2. New and unexpected one-time costs for the ISO and the entities that have already joined or are in the process of joining the ISO's current EIM to modify their respective current systems, processes, and open access tariffs to accommodate this fundamental change in structure. 3. Ongoing costs for the ISO to modify or potentially redesign entirely its platform, systems, personnel, and processes to accommodate whatever changes in market rules the new and autonomous EIM company may decide

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	<p>one particular state.</p> <p>Powerex explains that given the continued vitality of the OATT outside of the CAISO markets, and its critical role in ensuring adequate and equitable funding of the transmission system, it is important that the entity responsible for governance and operation of the EIM recognizes and respects that structure. For that reason, Powerex believes that it is essential that governance and administration of the EIM be placed in the hands of a body that is wholly independent from CAISO and the interests of any one state. Although securing such independence requires both cost and effort, Powerex believes maintaining the status quo (“Option 1”) or adopting a hybrid/advisory approach (“Option 2”) will translate into an EIM that over time forces external participating BAAs in the surrounding region to jettison their OATT frameworks and their independence in favor of adopting the CAISO’s version of an RTO framework.</p> <p>PPC believes that an independent EIM entity remains the only viable course for EIM governance in the long term. Current participants and the ISO’s EIM might understandably wish to implement one of the other two models but we strongly urge the Cal ISO to retain the third model as the immediate or, failing that, the long---term goal for governance. With regard to the higher potential cost of Model 3, if more entities can be persuaded to join, these costs would be spread to more participants and may not be a very significant increase over the other options’ costs on a per utility basis. In its evaluation criteria, the Transition Committee should consider the net potential cost in the context of possibly increased membership when it compares an independent EIM relative to other options. Model 3 should explicitly require ISO to modify software and services needed to implement new market rules requested by the EIM organization, unless the requested change would create a predefined inequity in an adjacent market. Also, the vendor contract with the Cal ISO should be of a reasonably short duration and subject to termination. The EIM organization should be free to</p>	<p>to establish over time.</p> <p>It is not possible to quantify these costs with any certainty at this time, in part because their magnitude would depend largely on unknown future decisions that the new entity would make, both initially and over time, regarding the content, scope and structure of its market rules.</p>

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	<p>contract with other vendors of such services if they can provide them at the same or a lower cost after the initial contract term.</p> <p>PSE comments that excess costs associated with the Autonomous Separate Entity model could be mitigated by an evolutionary process, allowing the existing ISO Board and governance structure to become more regionally focused through ensuring representation of EIM Entities and regional participants in the nomination and governance process, as discussed above. Additionally, the CAISO should work to incorporate more of a regional focus in its internal staff. For instance, the CAISO could ensure that its policy department contains staff specifically tasked with assisting on and tracking issues in each region that the EIM incorporates (i.e., staff that covers Nevada, Oregon, Idaho, Utah, Wyoming, and Washington administrative issues, in addition to those addressed by CPUC, CEC, and CARB).</p> <p>Renewable Northwest would like to see more detail about which components of operating an EIM (staff, facilities, etc.) would have to be duplicated, and a cost estimate for doing so. How much effort and cost would it take to disaggregate the ISO and EIM rules? Would it be possible for the EIM board to be autonomous, having the necessary staff and authority to manage its own tariff, while still contracting with the ISO for the majority of the EIM operations and maintaining market rules that are largely consistent with the ISO structure? If so, would FERC be the ultimate arbitrator of any differences that arose between the ISO and EIM tariffs?</p> <p>Southern California Edison comments that a separate autonomous governing board would ultimately lead to conflicts resulting in inefficient administration of energy markets which leads to higher costs, reduced benefits, and create seems issues. Because of the interaction between the various markets, a separate autonomous EIM board could eventually necessitate a separation of the day-of Markets (FMM and RTD) between the CAISO and EIM Entities. In this outcome, the CAISO would operate two</p>	

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	<p>separate day-of markets, one for the CAISO balancing authority and another for the combined EIM Entity balancing authorities. In this case, there would no longer be co-optimization between all the balancing authorities. Instead, the EIM Entity Areas would be optimized separately from the CAISO balancing authority. As recognized in the Issue Paper, this would likely lead to additional administrative and operation costs as EIM would be operated by the CAISO under contract.</p> <p>Seattle agrees that cost control is necessary and that an autonomous separate entity could create additional cost risks as described; however, further exploration of ways to manage cost risk and create a separate EIM governance body is worthy of time and effort with the stakeholder community.</p> <p>The Six Cities states that the third governance model discussed in the Issue Paper would give rise to substantial risks of inconsistent market rules, conflicting actions by the CAISO and the EIM organization, and increased costs both for operation of the EIM and for market participants affected by the EIM. Although having a separate EIM organization might have the desirable result of increasing transparency for the costs of EIM implementation, it seems inevitable that overall EIM costs would be greater. In addition, market participants would face the increased burden of monitoring and participating in stakeholder processes for an additional organization. For all of the reasons summarized above, the Six Cities at this time do not support the Model 3 approach.</p> <p>Western Grid Group states to encourage broad participation in the EIM, and potentially other services in the future, WGG believes that the governance of the EIM must be completely separate from the CAISO. An autonomous board could have a balance of individuals who are financially independent from those using the services and some representatives who are users of the system. It is most important that the board is not</p>	

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	<p>dominated by representatives of any one state. As the Transitional Committee continues its evaluation of governance structures, WGG recommends that it refine potential costs for staffing and facilities of an autonomous governance structure. This will allow current and prospective market participants to evaluate whether an autonomous structure is worth the cost of independence. While there may be costs for administration of an autonomous board, the costs will be small relative to the costs of the operation of a market such as EIM.</p> <p>Xcel Energy comments that the autonomous independent board of directors for the EIM which contracts for market operations service with the CAISO has initial appeal. Some potential EIM Entities may appreciate a governance structure more clearly distinct from California’s potential dominance. This could result in greater confidence that an EIM Entity’s local interests will be respected and accommodated. From that perspective the autonomy option could result in higher EIM participation. However the autonomous scenario may have drawbacks as well, which could undermine its attraction. First, would it jeopardize CAISO’s tax-exempt status or compromise its California statutory basis if it provided market operator services to a separate autonomous organization? Who would have the final say or provide the “tie-breaker” if CAISO and the EIM Entities sought conflicting tariff policy or terms? Further, a key feature of the current EIM design is withdrawal at no exit fee if an EIM Entity determines participation is creating adverse conditions. Presumably under a contract for market operator services this option would no longer be available, since the autonomous organization would have to manage its liabilities. The autonomous scenario may attract a hardy pioneer orientation of self-determination, but it would also increase the costs for EIM Entities to establish initial services and to fund their exit obligations. Lastly, the CAISO has already established and facilitates a stakeholder input and feedback process with respect to market design, operations and policy issues. Under an autonomous scenario, one must assume the autonomous EIM</p>	

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	governance organization would likewise establish a stakeholder input process, resulting in duplication of the necessary staff/expense for market engagement.	
<i>Comments on options</i>	<p>AWEA does not specifically advocate for one of the proposed governing models over another. However, AWEA supports the proposed criteria to be embodied in the resulting governance structure.</p> <p>CMUA makes the following suggestion. As a core principle, the appropriate governance structure should be linked to the functions and breadth of the EIM itself. As currently constituted there are two contemplated EIM Entities, and the EIM is largely a “bolt-on” to the CAISO marketplace. If, for example, additional scope to the EIM is added, the “Governing Board with Defined Delegated Scope” may not be sufficient. Any additional scope could lead to the scenario where multiple tariff provisions will overlap, and it is difficult to see how anything other than broad reforms of the existing governance structure away from the current CAISO Board of Governors to a new entity would suffice. CMUA states that the Committee may wish to consider linking governance models to expansion of the EIM scope. One of the criteria expressly indicates that appropriate governance should “allow options to expand the functionality of the market to provide additional services as requested by EIM Entities.” Therefore, this consideration of future scope is appropriate as the initial governance options are considered. The Committee must assess the degree of which the expansion of the EIM will hinge upon the establishment of an Autonomous Separate Entity, and whether or not certain of the benefits of the expanded EIM would support the additional expense, effort, and disruption of the Autonomous Separate Entity structure.</p> <p>At this time the CPUC staff does not have a preference for any one of the proposed governance models as the superior solution for a long-term, permanent EIM governance structure. The CPUC staff is open to any of the proposals, including the second (Governing Board Established by California</p>	<p>While the Committee recommends a delegated authority model at this point, it agrees with comments suggesting that the ISO and the EIM governing body should commit to re-evaluate and potentially adjust the governance in the not-too-distant future as circumstances may warrant. Some of these commenters recommend that the ISO should both immediately adopt governance consistent with the “delegated authority” model, because it would be an improvement over the current situation, and also consider or commit to working toward governance consistent with the “autonomous separate entity” model. A broader set of commenters makes the related point that any governance structure that is adopted for EIM must be evaluated and reconsidered over time.</p>

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	<p>ISO Bylaws) or third (Governance through an Autonomous Separate Entity).</p> <p>ORA offers the following recommendations and preliminary comments on the Issue Paper:</p> <ul style="list-style-type: none"> • In the March 19, 2015 straw proposal, the Transitional Committee should provide an estimate of the potential costs associated with both the implementation and maintenance of all three models. Regardless of the governance structure ultimately selected, ORA recommends that the EIM budget be separate from the budget of any member balancing authority such as the CAISO’s budget. • The CAISO should invite comments on whether there is a particular number of balancing authorities participating in the EIM that should trigger an opportunity for a change in the EIM governance model. <p>PGE comments that the EIM governance model should be unbiased, and should protect the integrity of EIM operations across multiple states and jurisdictional boundaries, while respecting key regional distinctions. PGE believes that the CAISO EIM will attract a broader set of participants only if those prospective participants have confidence in the long-term EIM governance structure.</p> <p>PG&E is not advocating the status quo as an appropriate governance structure for the long term. But in the interim while the various options for the long-term governing structure are carefully vetted, the current governance model is adequate. The current CAISO Board of Directors coupled with the EIM TC have provided, and continue to provide, strong leadership for EIM-related decisions. PG&E remains concerned about the feasibility of dividing governing rights over the real-time market tariff sections, including the EIM. Such a structure must be proven to be workable and supportive of comprehensive market designs. PG&E requests the CAISO and EIM TC provide additional details and examples on how such a division</p>	<p>The Committee believes the Delegated Authority Model would offer stakeholders significant Influence over market rules and promote close collaboration among all interests. The Committee believes that the most viable way to address the difficult issues that stem from interaction between markets would be to govern EIM through a body that works closely with the ISO Board and has certain delegated authority over EIM market rules, along the lines generally set forth in model two in its January 5 issue paper. As discussed in more detail in Section III D, this proposal would vest the EIM body with tangible authority to dictate the shape of market rules within its primary authority while directly influencing other rules through a formal advisory role.</p>

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	<p>could work. Options 2 and 3 contemplate that the governance of the CAISO tariff can workably be split between two distinct autonomous governing bodies. Whether this is feasible requires further assessment. Details are needed regarding how such a structure would work, and how differing opinions between the two governing bodies would be resolved. In the absence of a workable split of responsibility for different sections of the CAISO tariff, the split-authority structure could have the potential to harm the ability to comprehensively design and operate an efficient real-time market. It could also have the potential to allow the carefully crafted balance of benefits and burdens currently provided to all of the participants in the EIM to be upset in the future. PG&E recommends that the current efforts to develop the EIM governance framework de-emphasize providing the capability to expand the market to include additional services until after the governance structure is established.</p> <p>Powerex believes that it would be appropriate for the Transitional Committee to consider expanding this proceeding to explore the establishment of an independent market monitor. Currently, CAISO's Department of Market Monitoring which is a state entity and reports to the CAISO Board, is charged with overseeing the EIM. Although Powerex believes that the CAISO market as a whole could benefit from establishment of a market monitor that is entirely independent from CAISO in all respects-- one that is incented to take a critical look at CAISO's Tariff and operating practices -- Powerex believes that it is particularly inappropriate for a California state entity to retain oversight responsibilities for a multi-state EIM.</p> <p>PPC comments that a governance model that provides the greatest autonomy in decision---making and regional self---determination will be the most successful in terms of long---term durability and in attracting participants outside of California. With that background, PPC finds that the first two options fall well short of the required level of independence. Both</p>	<p>The Committee agrees and the Straw Proposal reflects that the goal is to create a market that treats all participants fairly and provides the best service at the most reasonable cost. The Committee recognizes that at some point in the near future evaluation of the market governance should include a reassessment and possible modification of the initial governance structure.</p>

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	<p>the advisory committee and governing board would be subordinate to the ISO board. The advisory committee and governing board would be reliant on ISO staff. ISO management and staff are understandably and properly acculturated to protect and advance the interests of ISO markets and the corporation.</p> <p>PSE’s comments follow: In response to the question is it necessary for the EIM body to have at least some degree of authority to independently change market rules? PSE responds yes. The EIM governance body should have authority over issues that may impact the EIM, with coordination required with the ISO Board on issues that impact both the EIM and other aspects of CAISO’s markets. As referenced above, the ISO Board does not currently guarantee <i>any</i> representation of EIM Entities or other participants from outside California. Until the composition of the ISO Board can guarantee an unbiased, regional perspective (i.e. by allowing for nomination of Board members outside of the state of California), the EIM governance committee will be the sole body tasked with ensuring representation and protection of EIM interests in the CAISO markets. Assuming that the EIM governance body is made up of individuals representing each of the market participants and/or nominated by the market participants in the EIM markets, the EIM governance body will be the most informed body involved in the market, and will therefore be the entity most capable of making decisions that are workable, applicable to EIM-specific conditions, and equitable for all participants. As with any governing body, checks and balances limiting this authority should be formally adopted in writing. One issue that requires particular attention, and stakeholder feedback, is the definition of “elements of the tariff that <i>may</i> impact the EIM,” which will circumscribe those issues under the purview of the EIM governance body. In response to the question, the tight integration of the EIM with the ISO’s 5 and 15 minute markets may raise practical issues regarding EIM governance. Is there a risk that a separate body would diverge from CAISO market rules to an unworkable degree?,</p>	<p>The Committee agrees and the Straw Proposal recommends that the structure should be reviewed and periodically assessed for effectiveness.</p> <p>Initial cost-benefit assessments including the first quarter benefit assessment of actual market operations for the EIM indicate that benefits are on track to match expectations and that costs appear to be equitably allocated. Benefits will be tracked quarterly to</p>

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	<p>PSE responds: The charter of the EIM Governing Board should reflect that the intent of the EIM Governing Board is to facilitate an equitable, regionally focused EIM. PSE believes that the demonstrated regional benefits of broad EIM dispatch – including CAISO’s BAA – would serve as a strong incentive to keep EIM and CAISO markets well aligned, as misalignment would likely result in a loss of potential energy diversity, reliability benefits, and ratepayer savings. To the extent the existing market rules might not accommodate the evolution of the market, stakeholders (through the above outlined governance structure) would need to address situation-specific issues at the relevant time. Should market rules diverge to an unworkable degree, the situation might eventually dictate the evolution (and costs) of a fully autonomous market structure for the EIM.</p> <p>The PUCN suggests that, regardless of which governance structure is adopted, the structure should be periodically assessed for effectiveness, and provisions should be included in the charter or bylaws to allow for change when change is warranted. If the initial approach proves ineffective, it might be necessary to transition to a different model.</p> <p>Renewable Northwest believes that the second and third governance model options are headed in a positive direction and have a good chance of facilitating the expansion of the EIM. As the Committee develops the straw proposal, we would like to see a little more detail about both of these options and the consideration of an option that could capture the best elements of both: the simplicity and cost savings of option two, and the independence of option three.</p> <p>Seattle believes the Committee should recommend that the CAISO EIM governing body must be either a separate EIM body or have delegated authority from the CAISO Board of Directors; with a preference towards a separate EIM governing body. The selected governing body should have</p>	<p>provide ongoing transparency on market benefits to participants.</p>

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	<p>the responsibility to represent the interests of all Balancing Authority Areas ("BAAs") who decide to participate in the CAISO EIM. Other potential EIM entities such as Seattle may have very different policy preferences than the state of California (as represented by the CAISO Board of Governors) and the CAISO EIM governance structure must balance all such interests.</p> <p>The Six Cities support the continuation and expansion of the EIM if both of the following conditions are satisfied: (1) the overall benefits of the EIM exceed the costs of operating the EIM, and (2) the allocation of responsibility for EIM costs is consistent with the receipt of EIM benefits. Simple economic prudence requires application of the first condition. The well-established principle of cost causation, as well as fundamental fairness, compel adherence to the second condition. The Committee should seek to develop a model for EIM governance that will promote satisfaction of both conditions.</p> <p>The Sonoran Institute comments that with regard to resources and staffing, we would encourage consideration of a possible hybrid between the descriptions provided by the second and third models. We do not believe a separate entity is needed, and that staffing could be housed within CAISO. However, in the straw proposal, we would like greater clarity and detail as to the reporting relationship and decision making authority among CAISO staff, the governing body, and the CAISO Board. Additionally, we would like to see a discussion of the funding needs to operate the EIM, how adequate funding would be dedicated for staffing and other resources for the EIM, and whether all participating entities should help underwrite these resources.</p> <p>Southwestern Power Group responds that with respect to the model "Governing Board Established by California ISO Bylaws," does it offer enough autonomy to maximize the overall benefits of the EIM? Probably, however the issue is not just about maximizing the overall benefits.</p>	

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	<p>Autonomy will provide potential market participants with comfort that the governing body will be more independent than the Advisory Committee model. How might potential participants in the EIM react to this model (that is, in contrast to the model of an "Autonomous Separate Entity")? We are not sure, however we believe they will prefer it to the Advisory Committee model. It is difficult for us to calculate the incremental benefits of an Autonomous Separate Entity (over the Governing Board under Bylaws model) and balance this against the additional cost and challenges of the Autonomous Separate Entity model. And if so, how significant is this factor? Fairly significant. In general, we believe potential participants will want more independence than the Advisory Committee model. The model involving an "Autonomous Separate Entity" raises questions related to additional costs. Those additional costs could undermine a key premise for the EIM business model- i.e., low costs to enter and none to exit- and terms on which PacifiCorp and NV Energy entered the EIM. The additional costs would include, Staffing, Facilities, Tariff Management, Costs of contracting with the ISO, Costs to market participants and Transaction costs. Would these types of costs, or other potential costs, be worth incurring in order to have the EIM governed through an autonomous entity? It is difficult to say without knowing what the range of incremental cost might be for the Autonomous Separate Entity model. Keeping operational costs down during the early years of the EIM is important in our view, particularly because we believe it is important to attract additional participants and expand the EIM footprint across the WECC. We suspect that the additional and intangible benefits of moving from the Governing Board under Bylaws model to the Autonomous Separate Entity is not worth the additional cost, certainly during the early years.</p> <p>Southwestern Power Group's comments on the way forward regarding governance are as follows:</p> <p>1. It is important for the EIM to expand by including additional members/participating utilities. This means that the EIM and its governance</p>	

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	<p>should be as attractive as possible to as many potential participants as possible, at least for the next 3 to 5 years.</p> <p>2. It is important for the EIM to keep costs down, particularly during its early years of operation. This means that more weight should be given to adopting a governance model that does not add significant additional cost or operational challenges right now. There is a balance to be struck between complete independent governance (which is likely to be a long-term goal of the EIM) and a pragmatic approach to working with the ISO Board of Governors and the ISO during the early years of EIM operation and hopefully expansion. This means in Southwestern Power Group’s view that the likely preferred governance model is the Governing Board under Bylaws. After the EIM has several years of experience and hopefully some additional participants, the issue of governance and structure should probably be revisited. As the EIM grows, expands its footprint and gains operational experience, we suspect that the participants will want to move to an Autonomous Separate Entity. This would seem to us to be a normal maturation and development path.</p> <p>WRA comments that if the CAISO did indeed submit a bid to operate a SCED for the NWPP EIM and wins the bid, WRA recommends the Transitional Committee pursue the Autonomous Entity model, unless, after consideration of the issue paper, the Northwest utilities express a preference for the Delegated Authority model. In that case, WRA recommends the Committee develop a Delegated Authority straw proposal.</p>	
Evaluation Criteria	AWEA, Avista, CMUA, Powerex, PPC, PSE, PUCN, Renewable Northwest, Seattle City Light, Vote Solar	
<i>Comments</i>	<p><u>Comments on Protect the integrity and reliability of ISO operations:</u></p> <ul style="list-style-type: none"> • Avista and Seattle offer the following “Protect the integrity and reliability of current ISO operations” should be expanded to include “Protect the integrity and reliability of the ISO and its partner EIM 	<p>See Straw Proposal at Appendix A</p> <p>Regarding criteria and expanding market</p>

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	<p>entities/BAAs.”</p> <ul style="list-style-type: none"> • PSE proposes that this criterion should be revised to the following: “Protect the integrity and reliability of ISO operations, while prioritizing the progress and maintenance of the integrity and reliability of the EIM.” • Powerex proposes that in addition to considering whether a proposal protects “the integrity and reliability of current ISO operations,” as is currently proposed, Powerex believes that the Transitional Committee should consider the extent to which governance of the EIM protects the integrity and reliability of adjacent systems (both those that elect to join the EIM and those that do not) and the rights of customers taking service on these systems. <p><u>Comments on Provide for efficient interaction between the EIM and ISO’s other market functions:</u></p> <ul style="list-style-type: none"> • PSE proposes that this criterion be revised to state “Provide for efficient interaction between the EIM and ISO’s other market functions, while ensuring fair and diligent protection of the EIM and its participants.” <ul style="list-style-type: none"> ○ PSE believes that it is important to evaluate governance proposals in light of both non-EIM ISO functions and the EIM, but that the governance of the EIM should prioritize the effective functioning of the market within its mandate. • Powerex proposes instead of focusing solely on whether a governance proposal will “provide for efficient interaction between the EIM and the ISO’s other market functions,” the EIM Transitional Committee also should consider whether a proposal ensures efficient interaction between the EIM and the OATT framework employed by adjacent transmission providers. <p><u>Comments on Provide decision makers and stakeholders confidence that</u></p>	<p>functions: The criteria appear to have been received favorably by stakeholders in that only a few comments were directed to the criteria and those comments generally suggested only refinements to the criteria. On the whole, those comments lead the Committee to believe the criteria should be phrased more generally, and that the issues that underlie the proposed refinements should be addressed in connection with the straw proposal itself.</p> <p>The comments of the American Wind Energy Association (AWEA), which stated general support for the criteria set forth in the issue paper, seemed to anticipate this need by framing those criteria in the form of the following six more general fundamental criteria:</p> <ul style="list-style-type: none"> • Ensuring that all EIM participants have the opportunity to benefit from the EIM over time; • Controlling costs to ensure favorable cost-benefit ratios; • Providing decision [makers] and stakeholders confidence that the EIM governing body is pursuing the best interests of all participants and the market as a whole, and is not unduly influenced by a single state, sub-region or stakeholder group; • Providing a strong foundation for

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	<p><u>the EIM governing body is pursuing the best interest of the market as a whole and is not unduly influenced by a single state or a narrow set of entities or states:</u></p> <ul style="list-style-type: none"> • PSE proposes that this be revised to read “Ensure that the EIM governing body is equitably pursuing the best interest of all EIM Entities and the market as a whole and is not unduly influenced by a single state or a narrow set of entities or states.” • Avista and Seattle propose that “Provide decision makers and stakeholders confidence that the EIM governing body is pursuing the best interest of the market as a whole” should be changed to “EIM market.” <p><u>Comments on Allow options to expand the functionality of the market to provide additional services, as requested by EIM Entities:</u></p> <ul style="list-style-type: none"> • PSE proposes that this be revised to read “Allow options to expand the functionality of the market to provide additional services, as appropriate.” <ul style="list-style-type: none"> ○ Specific market changes might not be requested by EIM Entities; for instance, an EIM Participating Resource or a Scheduling Coordinator could seek an additional market function. As discussed below, the EIM governance structure should be sufficiently independent and flexible to be able to recommend and seek market improvements based upon its own analysis and stakeholder comments, and the revised language would reflect this flexibility. <p><u>Comments on Ensure that the EIM complies with other applicable legal requirements, including but not limited to environmental regulations and states’ renewable energy goals:</u></p> <ul style="list-style-type: none"> • PSE suggests that this be revised to read “Ensure that the EIM and all market participants comply with applicable legal requirements, 	<ul style="list-style-type: none"> entrants to participate in the EIM, which will further provide benefits from increased diversity of resources across a broader geography; • Allowing flexibility for the governing body to expand the scope and functionality of the market to provide additional services as requested by EIM entities; and • Ensuring that the EIM complies with legal requirements and policy goals, including federal and state environmental regulations and renewable energy goals. <p>The Committee believes these reframed criteria may be both easier to use than the more detailed list in the issue paper and responsive to the concerns expressed by various commenters on certain more specific criteria.</p>

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	<p>including but not limited to federal and state environmental regulations and any federal and state renewable energy goals or requirements.”</p> <ul style="list-style-type: none"> ○ Given the complexities of Western environmental regulations (most prominently, California’s GHG cap-and-trade program, but also including other state requirements) as well as the pending compliance plans for EPA’s regulation of existing power plants under section 111(d) of the Clean Air Act, ensuring that the EIM itself is in compliance with federal or state regulatory requirements is insufficient. While PSE recognizes that the EIM governing body may not be able to directly enforce these regulations, that body will be able to promulgate market rules that allow for proper market outcomes and the dissemination of critical information, which will be crucial for the compliance of market participants. ● CMUA supports the criteria as being acceptable and reasonably balancing the competing objectives. The final criterion states that the “EIM complies with other applicable legal requirements, including but not limited to environmental regulations and states’ renewable energy goals.” The Committee should clarify that the EIM itself has no compliance obligation. Surely, the EIM should not facilitate non-compliance by EIM Entities or other market participants, but the EIM itself has no compliance obligations under state law. <p><u>Comments on Ensure FERC approval and oversight over EIM governance:</u></p> <ul style="list-style-type: none"> ● As discussed as part of the dueling FERC filing issues, PSE believes that the EIM governing body must be able to make filings directly with FERC; accordingly, the relationship between the governing body and FERC should be enshrined in the core criteria for evaluation of the various options. 	

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	<p><u>Comments on the Confidence in Governance to Facilitate Possible Expansion:</u></p> <ul style="list-style-type: none"> • PUCN states that the criteria for evaluating the governance models seem reasonable. However, additional information would be helpful for the third item listed under "Confidence in Governance to Facilitate Possible Expansion." Specifically, the PUCN is curious as to the scope/limitations of the expansion of the functionality of the market to provide additional services as requested by EIM Entities. • PSE recommends the addition as a criterion "Ensure regionally focused, unbiased, and effective oversight." The EIM governing body must be able to provide dependable and detailed market oversight. Confidence in the careful oversight of the market will allow for appropriate market expansion, and would provide valuable certainty to current, pending, and potential EIM entrants. • Renewable Northwest is pleased to see the criteria listed under "Confidence in Governance to Facilitate Possible Expansion." We share the Committee's interest in seeing the benefits of the EIM expand across the West and believe that the independence of the EIM governance structure is a key consideration for many potential participants. • PPC suggests that the evaluation criteria be reviewed to consider the importance of autonomy and responsiveness to the interests of non-California entities. An explicit recognition of the importance of those interests in the third criterion under "Confidence in Governance, etc." would be an initial step in that direction. The statement should be revised to ensure regional support for proposed additional services: "All options to expand the functionality of the market to provide additional services as requested by a majority of EIM Entities participants in each state or region in which the EIM operates." 	

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	<ul style="list-style-type: none"> ○ The intent of this revision is to ensure that no single group or area can force proposals on others. In that same section in the criteria we suggest a statement that the proposed governance model should be flexible enough so ensure that the governance structure and market rules can accommodate and evolve to meet the legal and contractual obligations of incoming participants. <p>Vote Solar proposes two additional considerations:</p> <ul style="list-style-type: none"> ● Adding criteria to evaluate how each proposal might be responsive or receptive to stakeholder input from a variety of stakeholder groups, which is particularly important if the functions of the EIM are eventually expanded. ● Each proposal should be evaluated for “political” viability – how much resistance it might receive from participants or potential participants and what impact it may have on the ability of the EIM to grow, increase participation and further reduce costs. <p>Avista and Seattle offer the following comment:</p> <ul style="list-style-type: none"> ● Given the potential for disparate policy preferences in different states and within potential EIM entities, the EIM Governance structure may well have to consider future EIM offerings that differ in different areas of the Western Interconnection. <p>AWEA supports the following criteria: Ensuring that all EIM participants have the opportunity to benefit from the EIM over time; controlling costs to ensure favorable cost-benefit ratios; providing decision and stakeholders confidence that the EIM governing body is pursuing the best interests of all participants and the market as a whole, and is not unduly influenced by a single state, sub-region or stakeholder group; providing a strong foundation</p>	

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	<p>for new entrants to participate in the EIM, which will further provide benefits from increased diversity of resources across a broader geography; allowing flexibility for the governing body to expand the scope and functionality of the market to provide additional services as requested by EIM entities; and ensuring that the EIM complies with legal requirements and policy goals, including federal and state environmental regulations and renewable energy goals.</p>	
<p>Additional Considerations</p>	<p>CMUA, CPUC, PG&E, PSE, SCE, Six Cities, Western Grid Group</p>	
<p><i>Dueling Filings</i></p>	<p>Several parties (including the CMUA, CPUC, PG&E) comment that the Transitional Committee should provide additional details at this stage on how it would begin to address the issue of dividing oversight of the tariff without undermining market efficiency and performance, and ensuring clear delineation of which entity has final authority to file at FERC on particular issues. Fostering more discussion now will aid stakeholders' assessments and decisions about which model(s) they can support. Parties (including Six Cities, Western Grid Group) also expressed concern over the risk of inconsistent or dueling filings that could threaten the viability of the EIM and highlighted the need to clearly address seams issues.</p> <p>PSE supports authorizing the EIM Governing Body to have distinct areas of authority in which it could make filings under section 205 of the Federal Power Act. The delineation of areas which are core EIM competencies and therefore suitable for separate Section 205 filing rights will doubtless be complex, but it would not be unprecedented. Allowing the EIM governing body to separately file to change market rules in appropriate areas would advance EIM independence while ensuring close and equitable involvement of market participants and the ISO Board. By ensuring that the ISO Board, the Board of Nominee Review Committee, the EIM Governing Board Nominating Committee, and the EIM Governing Board all demonstrate equitable representation of regional and stakeholder interests, the</p>	<p>See Straw Proposal at III C, Page 11.</p> <p>The Committee believes the Delegated Authority Model would offer stakeholders significant Influence over market rules and promote close collaboration among all interests. The Committee believes that the most viable way to address the difficult issues that stem from interaction between markets would be to govern EIM through a body that works closely with the ISO Board and has certain delegated authority over EIM market rules, along the lines generally set forth in model two in its January 5 issue paper. As discussed in more detail in Section III D, this proposal would vest the EIM body with tangible authority to dictate the shape of market rules within its primary authority while directly influencing other rules through a formal advisory role.</p>

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	<p>priorities of the ISO Board and the EIM Governing Board should be in alignment. To the extent they are not, FERC can review any conflicting filings, comments, or protests, and make a determination. Separate filing rights would provide a tool for the EIM Governing Board to protect EIM Entity interests in the face of a current ISO Board structure that is selected through a process prescribed by California’s government.</p>	
<i>Tax Structure</i>	<p>PG&E states that stakeholders need further information on these matters in order to effectively opine on the range of governance options, and how tax considerations might affect their feasibility and/or desirability. For options that would require a change in tax status to implement, the costs of that change should be estimated if possible. PG&E likely supports governance models that retain the current tax status.</p>	<p>See Straw Proposal at Section IV D. Page 21.</p> <p>ISO legal staff has found that the proposed governance structure presents no unreasonable risk to the ISO’s tax structure or statutory authorities.</p>
<i>Consistency with Statutory or Legal Authority</i>	<p>CPUC Staff comments that it is in the best long-term interest to stabilize and facilitate expansion of the EIM to ensure the proposed governance structure is unquestionably consistent with and authorized by the CAISO’s governing statutes and case law. But pursuing either the second (Governing Board Established by California ISO Bylaws with a Defined Delegated Scope) or third (Autonomous Separate Entity with Authority over Market Rules) raises legal questions of whether such models are consistent with existing California law or would require legislation to modify relevant sections of the Public Utilities Code. Amending the CAISO’s bylaws to create an EIM board and delegating to it “primary” decision-making powers may be inconsistent with Public Utilities Code § 347 and limitations on the powers of public agencies to delegate their exercise of judgment or discretion. A proposal to create an autonomous entity must be consistent with Public Utilities Code § 359. The CPUC Staff has not concluded that the CAISO lacks such authority, but there are legitimate questions whether it would be necessary—or just wise—to seek modifications of the Public Utilities Code to eliminate any questions about the legality of the chosen governance structure. The CPUC</p>	<p>See Straw Proposal at Section IV D. Page 21.</p> <p>The Committee is consulting with ISO legal staff on the issue of authority to delegate and believes this authority is provided for in the existing tariff. The Committee agrees that modifications to the market such as the offering of new products would require tariff changes and authority from both the California legislature and FERC.</p>

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	Staff therefore recommends that the Transitional Committee’s next paper include a review of relevant Public Utilities Code sections and other case law relevant to both proposals, and any other models the Committee is considering.	
Organization of State Regulators acting in advisory role	APS, Avista, PPC, PUCN, Seattle, Sonoran Institute, Vote Solar, Western Grid Group	
<i>Comments</i>	<p>Avista, PPC, Seattle and Western Grid Group comment that the advisory body needs to be created in a balanced way to represent all interests, on a regional basis, including those of non-jurisdictional utilities, as well as jurisdictional utilities. Western Grid Group also suggests that input from public interest organizations should be allowed.</p> <p>Interwest, Sonoran Institute and Vote Solar encourage the creation of an associated advisory committee to the governing body that would provide state regulators with a forum for them to learn more about the EIM and to provide input on specific issues related to its implementation.</p> <p>The PUCN supports the common features of the models but desires clarification regarding the "Organization of State Regulators." Appendix A provides examples of ISO/RTO governance structures that include state regulatory committees/participation; however, given that the EIM is not an RTO/ISO, is it expected that this "organization" will be completely separate, or is this "organization" intended to represent state regulator participation in board, stakeholder, governance, and nominating committee functions?</p>	<p>See Straw Proposal at Section IV F, Page 24 discussing proposal for composition of the advisory committee, including participation from non-jurisdictional governing bodies. The Transitional Committee recognizes the importance of creating an advisory body that is balanced in a way to represent all interests and has proposed participation for regulators of jurisdictional entities and non-jurisdictional entities in the Straw Proposal. However, the Transitional Committee invites further comment on the participation by interests overseeing the non-jurisdictional entities.</p> <p>The Transitional Committee expects that the advisory committee will be a separate functioning body that will participate in the EIM Governance Process; however, it is not intended to preclude or replace state regulator participation in other ISO stakeholder processes.</p>

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Timing and Process	Avista, CPUC, EWEB, PG&E, Seattle, WY PUC	
<i>Faster</i>	Avista, EWEB and Seattle encourage straw proposal earlier than August 2015 given the other regional efforts around EIM development, noting in general that speed of action is critical and delaying changes.	The Transitional Committee is working to balance the needs of a thorough process with the need to propose a governance structure in a timely fashion. The Straw Proposal was posted for comment March 19, 2015, and is expected to be presented to the ISO Board as a Final Proposal on September 17/18, 2015.
<i>Slower</i>	<p>PG&E and the CPUC Staff suggest that the timeline and scope of the effort be expanded to ensure a thorough and comprehensive governance design process. The CPUC staff suggest that the Transitional Governance Committee could include a second “issue paper” that fleshes out details on the issues identified by the CPUC Staff and other stakeholders before it decides which model to pursue as the permanent EIM governance structure. The Committee could use this additional step to develop and present detailed cost estimates for each model, explore legal issues, and determine how authority over the CAISO’s EIM and other tariff sections can be feasibly divided between two decisional boards. The Committee and stakeholders would also benefit from seeing more “live” EIM operations to observe how the CAISO’s EIM and other tariff sections interact and to evaluate EIM financial benefits.</p> <p>PG&E suggests that with more time, in addition to the three options set out in the Issue Paper, consideration should be given to governance options that maintain a single governing body for the CAISO tariff, including its EIM provisions.</p>	<p>Comments on are due April 16, 2015 and a revised Straw Proposal will be published for further review through an iterative process. A tentative schedule for the work of the EIM Transitional Committee is posted on their webpage and will be revised as necessary.</p> <p>http://www.caiso.com/Documents/TentativeScheduleofEvents-EIMTransitionalCommittee.pdf</p> <p>While the Transitional Committee appreciates the concern expressed that a thorough and comprehensive process needs to be conducted, the Transitional Committee believes adequate time will be available for multiple rounds of comments on the operative documents, including the issue paper, straw proposal (and subsequent revisions), as well as opportunities for input at public meetings.</p>
<i>Procedural Comments</i>	The Wyoming Public Service Commission has no substantive comments at this time; however, given the discussion of the respective benefits and trade-offs associated with the three conceptual models is an important component of the process of developing a long-term EIM governance	The complete set of Stakeholder Comments are posted at: http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=25E62547-A88D-4BC7-

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	<p>structure proposal, requests that the Transitional Committee make all filed comments available to stakeholders and revise the schedule to allow reply comments within a reasonable time. This would provide stakeholders an opportunity to benefit from the insights of others and would provide the Transitional Committee a more complete basis for developing the straw proposal.</p>	<p>BDE5-D00D0D139B9A and the Transitional Committee has prepared this matrix with a summary of Stakeholder Comments with responses from the Transitional Committee set forth in the Straw Proposal and/or the matrix itself. Reply comments to the Straw Proposal are due April 16, 2015. Another round of comments will be solicited following the posting of the Revised Straw Proposal expected on May 21, 2015.</p> <p>A tentative schedule for the work of the EIM Transitional Committee is posted on their webpage and will be revised as necessary.</p> <p>http://www.aiso.com/Documents/TentativeScheduleofEvents-EIMTransitionalCommittee.pdf</p>
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