

**COMMENTS OF THE EIM ENTITIES
EIM GOVERNANCE REVIEW
ISSUE PAPER AND STRAW PROPOSAL
DATED DECEMBER 14, 2018**

CAISO STAKEHOLDER PROCESS

January 18, 2019

The current and announced EIM Entities, PacifiCorp, NV Energy, Arizona Public Service Company, Puget Sound Energy, Portland General Electric Company, Idaho Power Company, Powerex, the Balancing Authority of Northern California, the City, Public Service Company of New Mexico, Seattle City Light, Salt River Project and NorthWestern Energy, submit these joint comments on the EIM Governance Review Issue Paper and Straw Proposal dated December 14, 2018. In addition to any individual comments the current and future EIM Entities may submit, these comments are provided to highlight several core issues.

CAISO’s Proposal for Immediate, Targeted Expansion of the EIM Governing Body’s Role

The EIM Entities appreciate CAISO’s review of the current governance structure for EIM and believe that all such efforts strengthen the performance of the EIM through broadening the EIM Governing Body’s authority on critical initiatives affecting the EIM. As such, the EIM Entities generally support the Issue Paper & Straw Proposal (“Straw Proposal”). However, the Straw Proposal does not address a critical gap in governance policy for the EIM and the potential for the EIM to expand into day-ahead market services. Given the impact to EIM Entities, if a framework for expanding the current EIM to the day-ahead is advanced, it will be critically important that the EIM Governing Body’s oversight of the associated stakeholder process be more than advisory. However, based on the current EIM governance structure, the EIM Governing Body’s authority over Extended Day-Ahead Market Services (“EDAM”) is classified as “E2,” only allowing for the EIM Governing Body to play an advisory role. This is an insufficient allocation of governance responsibilities for the EIM Governing Body and a change is required in advance of any EDAM stakeholder processes, which may commence in 2019. The EIM Entities strongly urge CAISO to address this material gap in the Straw Proposal. Given the uniqueness of any EDAM stakeholder process, it may be appropriate for the CAISO to propose an approach specific to EDAM that is different from the current decisional classification framework.

Proposed Revision to Decisional Classification Rule

The EIM Entities are supportive of the CAISO’s limited proposal to expand the primary authority of the EIM Governing Body. The proposal would expand the primary authority governance classification to include suggested rule changes which are generally applicable to the real-time market if the primary driver for the change is EIM. We agree that this approach will ensure that the governing authority with the most substantive interest in the matter plays the lead role in

deciding whether or not the rule change should move forward. Furthermore, we are supportive of an expedited process to allow for this narrow change to be made in March 2019.

Stakeholder-Based Working Group Structure

The EIM Entities support the concept of a properly-constituted stakeholder-based working group to develop proposed changes for further stakeholder input, without necessarily agreeing to the title or the name given to this group as put forth in the Straw Proposal. In a traditional CAISO stakeholder process, CAISO staff drafts issue papers and proposals to be put forward to the stakeholder group. This variation to the typical stakeholder process allows for a broader group of individuals to brainstorm and work through the initial review and drafting of proposals. The EIM Entities' support for this concept is predicated upon the proper constitution of the committee or working group. While we appreciate the need for the representation of diverse views, it also must be recognized that the consumers of those participating will have the direct stake in the outcome of the deliberations. With respect to timing, the EIM Entities would anticipate that the period between the Board of Governors action in March 2019 and the commencement of specific discussions on EDAM would be the period in which any committee would be constituted. The EIM Entities do not support commencement of work on substantive governance issues prior to the start of any determination with respect to the EDAM stakeholder process. Constituting the committee now does have the advantage of getting what may be an arduous process out of the way. If the EDAM feasibility assessment supports moving forward with the EDAM stakeholder process as contemplated in the CAISO Policy Initiatives Roadmap calendared to begin this summer, this will allow the Committee can hit the ground running. If the determination is made not to proceed with the EDAM, the Committee can concentrate on reforms with respect to governance of the EIM. Given that the EIM itself expands beyond the borders of the CAISO, it makes a lot of sense for the group responsible for developing and evaluating governance changes to also expand beyond the borders of the CAISO.

Augmentation of the Body of State Regulators

The Body of State Regulators ("BOSR") was recommended by the EIM Transitional Committee and subsequently created to help educate and keep regulators from states in which an EIM entity operates apprised of market functionality and issues associated with the market. The membership of the BOSR was narrowly focused to include state regulators. Due to the incredible growth in the EIM, many of the entities participating in or planning to participate in the EIM are publicly-owned entities that fall outside of the traditional state jurisdictional regulatory landscape.

The EIM Entities support the expansion of the BOSR to include representations from two members serving the interests of publicly-owned utilities. Each representative should be from a different state. This proposal would help in making the BOSR more equitable and representative of the current landscape of participants in the Western EIM.

Timing

The EIM Entities support the concept of bringing the targeted improvement concerning the scope of the EIM Governing Body's authority over the EDAM stakeholder process to the EIM Governing

Body in March 2019. At that same meeting, the EIM Entities also recommend initiation of the process to establish a new stakeholder-based working group to take on a more comprehensive examination of the scope of EIM Governing Body authority.

Section 2.2.3 of the Charter for Energy Imbalance Market Governance (“Charter”) provides that, “[n]o later than September 2020, the EIM Governing Body will initiate a review of EIM governance in light of accumulated experience and changed circumstances.” Clearly, the incredible expansion of the EIM constitutes changed circumstances. Stakeholders have been able to observe the activities of the EIM Governing Body for several years, providing sufficient experience to move forward with reforms. It will take time to establish the committee and for the committee to engage in thoughtful deliberations prior to bringing any proposed reforms to stakeholders. The process of nominating, selecting, and convening this committee should begin immediately.

The EIM Entities are incredibly supportive of the Straw Proposal changes advocated in these comments and urge the CAISO to move quickly, however, the EIM Entities feel that the rest of the substantive changes contained in the Straw Proposal should be moved on a timing track that is more closely aligned with the future EDAM stakeholder process.

Moreover, if the EDAM feasibility assessment supports moving forward with the EDAM stakeholder process, as contemplated in the CAISO Policy Initiatives Roadmap calendared to begin this summer, the role of the stakeholder-based working group can be expanded to include a proposal with respect to EDAM governance as well. As governance will be a crucial element of any potential market expansion, a timely process must be in place to examine this critical issue along with the specifics of any market design elements.