



EIM Governance Review Issue Paper & Straw Proposal

**Public Generating Pool Comments
January 18, 2019**

The Public Generating Pool (PGP) appreciates the opportunity to comment on the California ISO's Energy Imbalance Market (EIM) Governance Review Issue Paper and Straw Proposal dated December 14, 2018. PGP represents ten consumer-owned utilities in Oregon and Washington that own almost 6,000 MW of generation, 4,500 MW of which is hydro and 95% of which is carbon-free. Three of the PGP members operate their own Balancing Authority Area (BAA), while the remaining members have service territories within the Bonneville Power Administration's (BPA) BAA.

PGP has partnered up with other public power utilities¹ in the Northwest to develop common interests on principles and elements that should be applied to any centralized market in the Northwest, which includes the following interests for independent, representative governance:

- An independent, non-affiliated Board of Governors ("Board") of sufficient size to allow the Board to represent different regions, market participants, and interests.
- A clearly defined process for the selection of the Board by a Nominating Committee comprised of representative regions and participants, including representatives of NW Public Power.
- A Member Advisory Committee as a formal advisory channel to the Board itself. Members would include a balanced mix of market participants, including representatives of NW Public Power.
- A States Committee that provides for state public utility commissions, Power Marketing Administrations, and public power from all regions impacted by the market to have input to the Board on key market design issues, including resource adequacy and transmission cost allocation.
- Board decision-making and stakeholder engagement occurs in a transparent and inclusive manner.

These interests serve as a guide for PGP's comments on the EIM Governance Review.

I. GENERAL COMMENTS

The governance structure of the EIM and the delegation of authority to the EIM Governing Body is an issue of critical importance for PGP members. Market rules and how they are

¹ The [NW Public Power Interests for Markets](#) were developed by PGP, the Public Power Council, Northwest Requirements Utilities, PNGC Power and the Northwest Public Power Association

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decided and implemented determine how value is distributed in the market and as the EIM continues to expand into multiple states, the delegation of authority to the EIM Governing Body and the opportunities for formal input to the EIM Governing Body magnify in significance.

The EIM has been operational for over four years now and has eight active participants with six additional participants that have signed EIM Implementation Agreements and are in process of joining the EIM. BPA and others are also evaluating their own potential participation. The EIM footprint is projected to extend to over ten states and encompass the majority of the load in the Western Interconnection within the next two to three years. Given the broad and rapid expansion of the EIM and the experience gained over the last four years, PGP believes a review of the EIM Governance structure is timely.

PGP's comments focus mainly on five key areas to be considered as part of the EIM Governance Review process:

- Expansion of the EIM Governing Body's primary authority to encompass generally applicable rules of the real-time market, regardless of driver, and any expansion of EIM services
- Greater oversight of the policy initiative and roadmap process
- Increased durability of the portions of the Charter and Guidance Document that pertain to the existence of the EIM Governing Body
- A more formal role for public power entities and federal power marketing administrations
- Option for the Regional Issues Forum to provide direct input to the EIM Governing Body on market design issues

PGP believes changes in these areas can provide parties outside the state of California greater assurance of the CAISO real-time market's ability to act in the interest of all market participants and affected stakeholders, not just the interest of one state. Additionally, these changes can lay the groundwork for the potential extension of CAISO's day-ahead market to EIM Entities (EDAM) by demonstrating CAISO's willingness to assure non-California parties' interests are represented through decision-making by an independent, non-affiliated governing body on all issues impacting the EIM and any future expansion of the EIM.

II. TIMING AND PROCESS FOR EIM GOVERNANCE REVIEW

PGP supports CAISO's proposal for a phased approach to the EIM Governance Review. As noted below, PGP believes the timing of the first phase, covering the straw proposal to incrementally expand the primary authority of the EIM Governing Body, should be taken to the EIM Governing Body for review and the Board for approval before March 2019 to allow for the decisional classification of some of the specific policy changes in the Local Market Power Mitigation initiative to be changed to the primary authority of the EIM Governing Body.

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Regarding the second phase, PGP supports CAISO's proposed timing to bring the remaining issues identified as part of the broader EIM Governance Review to the EIM Governing Body for review in the Summer of 2019. It is important to prioritize time in early 2019 to enhance this portion of the governance structure, especially for those still undergoing their decision to join the EIM. PGP does not believe this review should be delayed or wait until further information about the Extension of the Day-Ahead Market to EIM Entities (EDAM). The timing, outcome, and potential participants in EDAM are uncertain. Even with strong interest in EDAM, the stakeholder process, Board and FERC approval, and any associated governance changes will take at least 2 years. The expanded footprint of the EIM and success of the EIM Governing Body is known and merits reform now. It is also PGP's understanding that even if EDAM moves forward, the EIM will continue to be a market option. For all of these reasons, enhancements to EIM Governance should occur regardless of the timing and scope of EDAM.

PGP appreciates CAISO's suggestion to develop a stakeholder-based, working group structure to develop any proposed changes and believes this structure would be valuable in enhancing stakeholder participation in the development of options while also still providing for broader stakeholder input. PGP supports the proposed composition of the EIM Governance Review working group to include representatives from each of the stakeholder classes identified in the Selection Policy for the EIM Governing Body.

III. EXPAND PRIMARY AUTHORITY OF EIM GOVERNING BODY

Phase I: Incrementally expand EIM Governing Body primary authority and expedite decision

PGP supports expansion of the primary authority of the EIM Governing Body to all generally applicable rules of the real-time market, regardless of driver. As such, PGP supports CAISO's proposal to incrementally expand the primary authority of the EIM Governing Body to include proposed changes to generally applicable rules of the real-time market if the primary driver for the change is EIM as a first step. However, PGP is concerned that this enhancement may not result in substantive changes to how current initiatives are classified for decision. It is PGP's understanding that such a change would, for example, allow the proposed policy changes in the current Local Market Power Mitigation (LMPM) Enhancements initiative to fall under the primary authority of the EIM Governing Body, as the EIM was the primary driver for this initiative. Specifically, PGP would assume the proposals to modify the calculation of the competitive locational marginal price and create a new default energy bid for hydro resources would fall under the primary authority of the EIM Governing Body with this proposed change. Yet, in the LMPM Enhancements Draft Final Proposal dated January 16, 2019², CAISO states it believes the primary driver for this initiative is to improve the performance of the entire market. PGP requests clarification regarding whether CAISO's proposed change to incrementally expand the primary authority of the EIM Governing Body would result in the

² <http://www.caiso.com/Documents/DraftFinalProposal-LocalMarketPowerMitigationEnhancements2018.pdf>

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proposed changes of the LMPM Enhancements proposal to be classified as within the primary authority of the EIM Governing Body.

The LMPM Enhancements initiative is scheduled to be presented to the EIM Governing Body on March 12th and to the Board of Governors on March 28th. PGP does not wish to delay this timeline. Consequently though, PGP requests the timeline for CAISO's proposed incremental expansion of the EIM Governing Body's primary authority be expediated. PGP proposes bringing the proposal to the EIM Governing Body at the January 24th meeting and the ISO Board of Governors at the February 7th meeting or holding additional EIM Governing Body and ISO Board of Governors meetings in February to approve this change.

Phase II: Further expand EIM Governing Body primary authority to entire real-time market and any expansion of EIM services

PGP believes the EIM Governing Body should be given primary authority over generally applicable rules of the real-time market, regardless of the driver of the change, unless the market change applies uniquely to the CAISO Balancing Authority Area and has no impact to the EIM. As CAISO notes, both the EIM and the CAISO's broader 5- and 15-minute markets share market rules running on a common platform of IT systems, as well as common staff and overlapping operational protocols. As such, almost any change to CAISO's broader real-time market affects the EIM. And with the EIM covering such a broad and diverse geographical footprint, any changes to market rules affecting the EIM should be within the primary authority of the EIM Governing Body. As CAISO noted, with this change the ISO Board of Governors would continue to have a role, given that matters that are within the primary authority of the EIM Governing Body still must be approved by the Board on a consent agenda basis.

PGP also believes the EIM Governing Body should be given primary authority over any expansion of the EIM. Specifically, the EIM Governing Body should have primary authority over all policy and market rule changes necessary for extending the CAISO's Day Ahead Market to EIM Entities. EDAM has a significant impact on EIM participants, non-participants and parties outside the EDAM footprint. With such a broad set of interests and impacts to non-California parties, it is critical that the EIM Governing Body be given primary authority over changes needed for EDAM. Regarding the ongoing governance structure for EDAM, PGP expects those issues to be addressed as part of the EDAM Governance initiative.

IV. INCREASED OVERSIGHT OVER STAKEHOLDER INITIATIVES AND THE ROADMAP

PGP requests that oversight over CAISO stakeholder initiatives and the annual roadmap process be included within the scope of the EIM Governance Review. PGP would like to see more authority given to the EIM Governing Body over the timing, priority and process of stakeholder issues and over CAISO's annual roadmap process.

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V. ENHANCE DURABILITY OF EIM GOVERNING BODY

The establishment of the EIM Governing Body was a significant milestone in demonstrating a move to an independent governance structure that represented a broad set of stakeholder interests, not just those of the state of California. Due to the significance of the EIM Governing Body, PGP believes it is important that as part of this EIM Governance Review the provisions in the Charter and Guidance Document regarding existence of the EIM Governing Body be modified to make them more difficult to amend. PGP believes there are many ways to provide the desired durability and offers the following concepts for consideration:

- Any elimination of the EIM Governing Body requires a majority vote by both the EIM Governing Body and the ISO Board of Governors, or
- Any elimination of the EIM Governing Body requires approval by a supermajority of the Board.

VI. PROVIDE COMPARABLE ROLE FOR PUBLIC POWER

PGP requests a specific role for representation of public power customer interests in the governance structure be considered as part of the EIM Governance Review process. While the interests of investor-owned utility customers are currently represented through the Body of State Regulators, there is no comparable representation for public power utility customers. The objective would be to create an opportunity for input, similar to the concept described in Section VII. A few options exist for how to accomplish this:

- Evolve the Body of State Regulators to a body similar to the Western States Committee that was explored as part of the governance structure of a Regional ISO. This body would include representatives from public power and federal power marketing administrations. Note that PGP is *not* proposing any changes to the self-governance of the Body of State Regulators and its ability to make changes to its own Charter.
- Create a public power body similar to the Body of State Regulators designed to represent the regulatory concerns and interests.

Either of these options would include representation from all different types of consumer-owned utilities: (1) EIM Entities; (2) EIM Market Participants (not an EIM entity but has participating resources); (3) not an EIM entity but has no participating resources.

VII. PROVIDE STAKEHOLDERS DIRECT INPUT TO EIM GOVERNING BODY

Every Regional Transmission Organization/Independent System Operator in the country, besides the CAISO, has some type of advisory committee made up of stakeholders, participants and/or members that provides input directly to the decision-making body. PGP acknowledges CAISO runs a stakeholder process that allows stakeholder participation and comment on proposed policy changes. Still, there is currently no avenue for formally communicating the interests of stakeholders directly to the EIM Governing Body. As such, PGP believes the EIM

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Governing Body does not always have the full benefit of stakeholder input when policy initiatives are discussed, prioritized and taken for decision at EIM Governing Body meetings. Further, stakeholders are not incented to work among themselves to understand, synthesize multiple interests and consider alternative options.

PGP believes a Market Advisory Committee or similar structure is essential for EDAM. To improve stakeholder engagement for the EIM, PGP recommends providing the option for stakeholders to provide direct input to the EIM Governing Body on CAISO policy initiatives. The Regional Issues Forum (RIF) and Body of State Regulators (BOSR) are two bodies that are already established and made up of a broad set of stakeholders and state regulators. PGP recommends making the option available for the RIF and BOSR to provide direct input to the EIM Governing Body on market design issues, policy initiative status and priorities. PGP's recommendation would not *require* RIF and BOSR input or approval prior to EIM Governing Body decision, it would simply make the option for input to the EIM Governing Body available to each of the bodies. To accomplish this, changes to the existing EIM Governing Body charter are needed:

- Eliminate the limitation on the RIF from addressing issues and providing an opinion on issues currently in a Stakeholder Forum
- Eliminate the limitation on the BOSR to provide advice to the EIM Governing Body only "upon request".

VIII. CONCLUSION

PGP thanks CAISO for its leadership in initiating the EIM Governance Review and appreciates the breadth of issues identified in the Issue Paper and Straw Proposal. PGP hopes to see this initiative move forward on the timeline proposed by CAISO and looks forward to further engagement and discussions as this initiative progresses.

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