



EIM Governance Review Scoping Paper

Comments Submitted by	Organization	Date Submitted
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The Public Generating Pool (PGP¹) appreciates the opportunity to comment on the California ISO's Energy Imbalance Market (EIM) Governance Review Committee (GRC) Scoping Paper dated January 29, 2020. The governance structure of the EIM is an issue of critical importance for PGP members. Market rules and how they are 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 importance of independent governance cannot be emphasized enough in the context of the extended day-ahead market (EDAM). The governance foundation of a centralized day-ahead market is critical to an equitable sharing of value among participants. If the CAISO day-ahead market is to expand across the Western Interconnection, it will impact all entities in the West, not just those that choose to participate in the market. It is therefore essential that the governance of that market reflect and represent the interests of all entities in the region.

PGP has partnered with other public power utilities² in the Northwest (Northwest Public Power) to develop common governance interests that should be applied to EDAM. NW Public Power believes a fully independent governance structure, which can only be achieved through a legislative change in California, is the ideal governance approach for any multi-state market, however, we also recognize the challenges associated with securing a legislative change at this time.

The below interests were developed in an earnest effort to explore whether a delegated approach to governance, whereby the CAISO board delegates some level of authority to an Independent Governing Body, can achieve sufficient independence so that decision making represents and balances the interests of the consumers, market participants, and regulators across the proposed market footprint.

¹ PGP represents eleven consumer-owned utilities in Oregon and Washington that own almost 8,000 MW of generation, 7,000 MW of which is hydro and over 97% of which is carbon-free. Four of the PGP members operate their own balancing authority area (BAAs), while the remaining members have service territories within the Bonneville Power Administration's (BPA) BAA. As a group, PGP members also purchase 45 percent of BPA's preference power.

² The Northwest Public Power EDAM Governance Interests were developed by PGP, the Public Power Council, Northwest Requirements Utilities, and PNGC Power.

Public Generating Pool

Benton PUD / Chelan County PUD / Clark Public Utilities / Cowlitz County PUD / Eugene Water & Electric Board
Grant County PUD / Klickitat County PUD / Lewis County PUD / Seattle City Light / Snohomish County PUD / Tacoma Power

The following interests are focused on EDAM; however, our comments and recommendations address both EDAM as well as EIM governance changes that are recommended in the absence of an EDAM.

Northwest Public Power EDAM Governance Interests

INDEPENDENT BOARD WITH AN INDEPENDENT SELECTION PROCESS

- EDAM Governing Body is of sufficient size to allow the EDAM Governing Body to be reflective of the different regions, market participants, and interests impacted by EDAM
- A clearly defined process for the selection of the EDAM Governing Body by a Nominating Committee comprised of representative regions and participants
- EDAM Governing Body members are independent³ from market participants or regional governments

DECISION MAKING AUTHORITY OVER MARKET RULES THAT IMPACT EDAM FOOTPRINT

- EDAM Governing Body has decision-making authority for all day-ahead and real-time market design rules, unless the market change applies uniquely to the CAISO Balancing Authority Area and has no impact to the EIM or EDAM
- Decision-making criteria for the EDAM Governing Body is clearly defined and takes into account different regions, market participants, and interests

DURABILITY OF EDAM GOVERNING BODY

- The structure and decision-making authority of the EDAM Governing Body is highly durable and cannot be defunded or de-obligated without EDAM Governing Body consent

ENHANCED FORMAL INPUT TO EDAM GOVERNING BODY

- The EDAM Governing Body has an independent market expert that:
 - Provides industry best practices and advises on market design; and
 - Conducts analysis and monitoring of key market features to ensure proper function and efficient and fair outcomes for all market participants
- A Market Advisory Committee with membership representing a balanced mix of market participants as a formal advisory channel to the EDAM Governing Body and CAISO Board of Governors
- The governance structure provides a formal venue for state public utility commissions, federal power marketing administrations, and public power from all regions impacted by the market to have input to the EDAM Governing Body on items under its decision-making authority

THIRD PARTY DISPUTE RESOLUTION

- A dispute resolution process is codified that provides for recommendations of the EDAM Governing Body and the independent market expert to be considered by an independent third-party in the case that the EDAM Governing Body's recommendation conflicts with that of the CAISO Board of Governors

EXIT PROVISIONS AND FINANCIAL PROTECTIONS

- The EDAM Governing Body shall, as part of their mission, ensure that participation in EDAM is voluntary and that exit provisions of less than 6 months exist without assessment of an exit fee

EDAM GOVERNING BODY INPUT INTO CAISO RESOURCE ALLOCATION

- EDAM Governing Body will have the ability to prioritize and have dedicated CAISO resources to address market design issues

TRANSPARENT PROCESS AND REVIEW

- EDAM Governing Body decision-making, and stakeholder engagement occur in a transparent and inclusive manner
- A review period is established for EDAM Governance to consider if changes are warranted as the market evolves

³ See *Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089 (1999), *order on reh'g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000), *aff'd*, *Public Utility District No. 1 of Snohomish County, Washington v. FERC*, 272 F.3d 607 (D.C. Cir. 2001).

ISSUE 1: DELEGATION OF AUTHORITY

PGP has identified a core set of changes that are required to achieve and maintain an acceptable approach to delegated authority for an Independent Governing Body. PGP believes *each* of the issues noted in this section need to be addressed in order to have a governance structure that will provide parties outside the state of California the confidence and assurance of that decision-making for market rules will reflect the interests of all market participants and affected stakeholders. The recommended changes are designed to assure a delegated approach to governance that: 1) provides decision making that is representative of all market participant and stakeholder interests; 2) is durable through differences and challenges; and 3) provides protections for market participants in the event of future changes to the function of the delegated authority model.

ISSUE 1A: SCOPE OF DELEGATION TO THE INDEPENDENT GOVERNING BODY

All ISOs and RTOs operate with independent oversight of their markets. In Order No. 888 FERC found that a non-independent governance structure has an unduly discriminatory and anti-competitive effect on markets.⁴ In addition, in Order No. 2000, FERC found that the principle of independence is “the bedrock” on which an RTO must be built and requires an RTO’s governance structure to be independent “in both reality and perception.”⁵ The California ISO Board of Governors is appointed by the Governor of California and approved by the state Senate and must consider California state policies and ratepayers in its decision making⁶. While neither the EIM or EDAM are an RTO or ISO, the broad impact and geographic scope of these markets make the existing governance structure challenging both in reality and perception. Therefore, PGP believes FERC’s independence criteria should apply to EIM and EDAM.

The Transitional Committee recommended a delegated authority model of governance in which the CAISO board retains its ultimate authority but delegates certain decisions and tariff provisions to the EIM Governing Body, thereby providing both the EIM Governing Body and the ISO Board of Governors a veto authority over certain decisions. While there have been questions and concerns about whether the EIM Governing Body has been delegated sufficient authority, this delegated authority model is an elegant approach to providing a more balanced decision-making structure.

This model could be expanded to EDAM with certain conditions. Given the impact of a day-ahead market and the potentially broad geographic footprint, PGP recommends that the Independent Governing Body hold primary decision-making authority over the real-time and day-ahead markets, unless the market change applies uniquely to the CAISO BAA and has no impact on the EIM or EDAM. This allows the Independent Governing Body to be the primary deliberative body on major market design issues. The Independent Governing Body would take input and make recommendations based on the consideration of impacts to the entire footprint. This approach ensures a role for the CAISO Board to incorporate their own considerations through their ability to reject any recommendation by the Independent Governing Body. PGP believes this approach is comparable to a joint authority model in

⁴ See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities and Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, FERC Stats. & Regs. 31,036 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1 (2002).

⁵ See *Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089 (1999), *order on reh’g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000), *aff’d*, *Public Utility District No. 1 of Snohomish County, Washington v. FERC*, 272 F.3d 607 (D.C. Cir. 2001).

⁶ California Code, Public Utilities Code Section 345.5:

https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=345.5.&lawCode=PUC

decision-making authority, but PGP recommends this approach over the joint authority model because it focuses the deliberation of issues to the Independent Governing Body forum, which includes participants across the entire market footprint.

Suggestion for EIM:

Currently, the EIM Governing Body's primary authority is limited to real-time market rule change in which the primary driver is the EIM. However, as CAISO previously stated, 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. 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 recommends the EIM Governing Body be given primary authority⁷ 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.*

Suggestion for EDAM:

While independent governance and in particular the scope of delegated authority is important in any organized market context, the importance magnifies in EDAM which involves a much broader scope of market activities in comparison to the EIM. EDAM will implicate the full scope of the day-ahead market activities and real-time market activities; it is therefore appropriate and necessary that the Independent Governing Body have primary authority over these rules. As mentioned above, there may be a limited set of market rules that only apply to the CAISO BAA and these should be under the primary oversight of the CAISO Board of Governors. PGP looks forward to working with stakeholders to identify these.

- *PGP recommends that the Independent Governing Body should be given primary authority over day-ahead and real-time market rules, unless the market change applies uniquely to the CAISO's BAA and has no impact to the EDAM or EIM.*

ISSUE 1B: THE DECISIONAL CLASSIFICATION PROCESS

The process for determining the classification of which rules fall under an Independent Governing Body's primary or advisory authority must be transparent and open to stakeholder input. In general, PGP believes the current decisional classification process for EIM is robust, transparent and working well. In particular, PGP appreciates that CAISO management actively solicits stakeholder feedback on its preliminary decisional authority designation at the outset of a policy initiative that will require tariff amendments and then shares dissenting stakeholder opinions on the decisional classification with the Chairs of the CAISO Board and EIM Governing Body once it has reached its proposed recommendation on decisional classification.

PGP appreciates that there is an established dispute resolution process in place for instances where the Chairs of the CAISO Board and EIM Governing Body do not agree on decisional classification. Final resolution is made at a meeting of combined members of both bodies (there must be a quorum

⁷ As defined in CAISO Bylaws Article IV(1)(b): The Governing Board shall not approve the addition, deletion or modification of a part of the Tariff that is within the primary authority of the EIM Governing Body unless the addition, deletion or modification has been first approved by the EIM Governing Body. In approving any amendment to the Tariff that has been first approved by the EIM Governing Body, the Governing Board may act through a consent agenda.

from each) and decided by a majority vote of those who participated in the meeting. However, in the event of a tie, the Chair of the Board of Governors shall make the determination. The EIM Governing Body and the potential Independent Governing Body for EDAM should not have a diminished role in deciding the outcome of a decisional classification. PGP believes a decisional classification process that gives equal deference to both boards is most appropriate.

Suggestion for EIM:

- PGP recommends that revisions to the dispute resolution process that gives equal deference to the CAISO Board and EIM Governing Body be considered.

Suggestion for EDAM:

- PGP recommends that revisions to the dispute resolution process that gives equal deference to the CAISO Board and the Independent Governing Body be considered.

ISSUE 1C: THE PROCESS FOR CHANGING THE SCOPE OF DELEGATED AUTHORITY

The Independent Governing Body's scope of delegated authority must be durable. Specifically, delegation of authority should not be something that is easily changed or revoked. The delegated scope of authority of the EIM Governing Body is established in the EIM Governing Body Charter. Currently, any proposed changes to the Charter must first be presented to the EIM Governing Body for its advisory input.

While nobody hopes or plans for political or market circumstances that could create an interest to change the delegation of authority, it is important to create protections against those circumstances. For that reason, PGP recommends that the EIM Governing Body and any future Independent Governing Body have a decisional role in any future changes to the scope of delegation. By providing the Independent Body more than an advisory role, it assures any changes recommended are viewed collectively as in the best interest of the full market footprint.

Suggestion for EIM:

- PGP recommends that changes to the EIM Governing Body scope of delegated authority must be approved by a majority vote of the CAISO Board of Governors **and** the EIM Governing Body.

Suggestion for EDAM:

- PGP recommends that changes to the Independent governing body scope of delegated authority must be approved by a majority vote of the CAISO Board of Governors **and** the Independent Governing Body.

ADDED ISSUE: THIRD-PARTY DISPUTE RESOLUTION

Under a delegated authority governance framework, a dispute resolution process to address circumstances where there is a disagreement between the CAISO Board and Independent Governing Body is vital. Third-party dispute resolution ensures that the authority of the Independent Governing Body is not limited or thwarted by the ability of the CAISO Board to repeatedly reject proposals. PGP believes that there should be a remedy that exists for an independent third party to reconcile disputes between the CAISO Board of Governors and an Independent Governing Body.

Suggestion for EIM:

- Third-party dispute resolution is an important aspect to independent governance in any market context. However, we believe this is especially heightened in a market with a broader

scope like EDAM. We do not currently recommend any changes to EIM governance related to third-party dispute resolution but would not be opposed to considering such changes.

Suggestion for EDAM:

- PGP recommends a process that would allow two attempts for reconsideration of proposed tariff changes that are pulled from the consent agenda and rejected by the CAISO Board. Proposed rule changes would go back to CAISO staff for further revisions and stakeholder input and then be brought to the Independent Governing Body and CAISO board for approval. This process could be repeated one additional time. If it fails on the second attempt, the CAISO Board would approve two alternative tariff filings, reflecting the preferred proposals of the CAISO Board and Independent Governing Body, to be filed with FERC. The Independent Governing Body and CAISO board would have the opportunity to submit comments in support of their proposals and FERC would determine which alternative filing is ultimately approved.

ADDED ISSUE: DURABILITY OF THE GOVERNING BODY

The establishment of the EIM Governing Body was a significant milestone in demonstrating a move to an independent governance structure that represents a broad set of stakeholder interests, not just those of the state of California, and thus the durability of this body is very important. Development and the durability of an Independent Governing Body is even more essential given the broader scope of such a market. The bottom line is, without an Independent Governing Body, the basic governance framework for EIM or EDAM falls apart.

Today, changes to the CAISO bylaws that establish the EIM Governing Body may be modified if approved by 4/5 CAISO Board of Governors **or** if there is a majority approval of both the EIM Governing Body and the ISO Board of Governors. PGP recommends these be strengthened such that a majority vote of Independent Governing Body is required in all circumstances.

Suggestion for EIM:

- PGP recommends that provisions in the EIM Governing Body bylaws state that the EIM governing body cannot be dissolved or defunded without a majority vote of both the Independent Governing Body and the CAISO board.

Suggestion for EDAM:

- PGP recommends that CAISO bylaws include language that states that the Independent governing body cannot be dissolved or defunded without a majority vote of both the Independent Governing Body and the CAISO Board.

ADDED ISSUE: EXIT PROVISIONS WITHOUT FINANCIAL PENALTIES

The voluntary nature of EIM and a future EDAM is a key feature of these markets that encourages participation. In EIM, market participants may withdraw from the market within 180 days, for any reason, with no financial penalties for doing so. These exit provisions without financial penalty protect against undesired changes in market design governance that may not represent all participants' interests. This issue was important in the creation of the EIM Governing Body and is part of the mission and responsibilities included in the EIM Charter. Specifically, the EIM Charter requires the EIM Governing Body to "allow EIM entities to withdraw from the EIM prior to any action that would cause or create an exit fee." PGP believes these criteria should be strengthened and preserved as discussed below.

Suggestion for EIM:

- PGP recommends that the language in the mission and criteria of the EIM Governing Body regarding the voluntary nature of the market without exit fees should be enhanced to specify the 180-day window for participants to withdraw and clearly state no fees are to be assessed. The language suggested is: “allow EIM entities to withdraw from the market within 180 days of notice, for any reason, with no exit fees.”

Suggestion for EDAM:

- PGP recommends that the language in the mission and criteria for the EIM Governing Body regarding the voluntary nature of the market with no exit fees be strengthened and applied to the Independent Governing Body. The language suggested is “allow EDAM entities to withdraw from the market within 180 days of notice, for any reason, with no exit fees.”

ISSUE 2: SELECTING GOVERNING BODY MEMBERS

The current EIM Governing Body is and has been since its inception a knowledgeable, high-functioning body with broad experience and regional representation and has enjoyed broad support among the EIM community and other stakeholders. PGP believes this is a testament to the well-functioning process of nominating and seating committee members. The current process is well-considered and robust. The use of a nominating committee to allow different stakeholder sectors the ability to propose a slate of EIM Governing Body member candidates is a fair and representative process to determining the composition of the EIM governing body. In addition, the EIM Governing Body alone, approves or rejects EIM Governing Body nominees. We believe the authority for composition of the EIM Governing Body is appropriately given to the EIM Governing Body and this should be retained.

Suggestion for EIM:

- PGP does not recommend any changes.

Suggestion for EDAM:

- The process and criteria for selecting Independent Governing Body members should be modeled after the process used in the EIM. A nominating committee made up of stakeholder sectors should be used to nominate a slate of candidates and the authority to approve Independent Governing Body members should be retained by the Independent Governing Body alone.

ISSUE 3: GOVERNING BODY MEETINGS AND ENGAGEMENT WITH STAKEHOLDERS

PGP believes the current EIM Governing Body meetings, including the schedule, structure and location of meetings is working well. PGP values, in particular, the varied locations of the meetings that allow stakeholders in different regions to participate more easily in-person. In addition, PGP values the process which allows for stakeholders to call-in to meetings and participate via webinar and comment over the phone.

Suggestion for EIM:

- PGP does not recommend any changes.

Suggestion for EDAM:

- *PGP believes the EIM Governing Body meetings and engagement with stakeholders is working well, so this should be used as a model for Independent Governing Body meetings. It may be necessary to consider increasing the number of meetings and locations as this market develops, but as a starting point, we support the model for meetings and stakeholder engagement that has worked successfully in the EIM.*

ISSUE 3A: SHOULD THERE BE A STAKEHOLDER ADVISORY COMMITTEE

PGP compliments CAISO for the clarity and efficiency of the current stakeholder process, which provides for a certain level of agility in addressing market design issues. PGP recognizes CAISO's efforts to make the process and material accessible to potential stakeholders with a clear path to offer individual comments into the process.

However, unlike other RTOs and ISOs in the country, there currently is no avenue for market participants and stakeholders to work together and formally communicate their interests directly to the EIM Governing Body or ISO Board of Governors. While the other RTO/ISO stakeholder structures are more formal than PGP believes is necessary for this market, PGP does believe the ability for market participants and stakeholders to collectively have formal input into the Boards would be highly beneficial to assuring an independent and informed market design. Without this, PGP believes the Boards do not always have the full benefit of market participant and stakeholder input when policy initiatives are discussed, prioritized and taken for decision at Board meetings. Further, stakeholders are not incented to work among themselves to understand, synthesize multiple interests and consider alternative options.

EIM and EDAM Recommendations

- *PGP recommends the following changes for both EIM and EDAM with a goal of maintaining the efficiency of the current CAISO stakeholder process while enhancing the direct input of market participants and stakeholders to the EIM and Independent Governing Body.*
 1. Elevate the existing Regional Issues Forum to a Market Advisory Committee and modify the sectors to better represent the current market interests. Consider aligning the sectors with those used for the Nominating Committee.
 2. Encourage and use the Market Advisory Committee as a forum to host discussion on upcoming or current market design issues.
 - Allow the Market Advisory Committee to address issues that are presently part of a CAISO Stakeholder Process.
 - Eliminate the restrictions on Governing Body member attendance at Market Advisory Committee meetings; allow attendance for all members that want to attend.
 3. Specifically allow the Market Advisory Committee to offer opinions or recommendations on active issues in a CAISO stakeholder process in advance of Governing Body decisions.
 - The Market Advisory Committee would not be required to offer an advisory opinion to the Governing Body but would be provided the opportunity, if desired, prior to a Governing Body decision.
 - The Governing Body would not need to receive an advisory opinion prior to deciding.

4. Twice a year, Governing Body members meet with each of the sectors represented on the Market Advisory Committee to hear sector interests⁸.

ISSUE 3B: POSSIBLE FUNDING FOR BOSR

PGP understands the challenge faced by the BOSR in participating in CAISO's processes and the desire for support for additional technical expertise. Indeed, PGP and other stakeholders face the same challenge in developing expertise and technical knowledge sufficient to participate and advocate effectively in CAISO's processes. While we empathize with the BOSR's challenge, we believe it would be unfair and discriminatory to provide funding to one subset of stakeholders, without similarly providing funding for all other classes of stakeholders. In addition, we believe this question goes beyond structural governance issues and should not be addressed in the Governance Review Process.

PGP recognizes that other RTO/ISOs provide funding to support their states that participate on the formal advisory bodies. PGP understands that those markets address issues of resource adequacy and transmission planning and cost allocation, which are part of the state commissions' jurisdiction. EIM and EDAM, by design, do not take on or address those issues. Therefore, the comparison to other markets is not relevant. If the market evolves to include resource adequacy and transmission planning and cost allocation, this issue could be revisited.

Suggestion for EIM and EDAM:

- *PGP recommends no changes to the support provided to BOSR. Further, PGP believes this is out of scope for the Governance Review Committee.*

ISSUE 3C: THE ROLE OF PUBLIC POWER AND FEDERAL POWER MARKETING AGENCIES

Public power customer sales represent more than 30% of the sales in the Western Interconnection. While the end-use customer and regulatory interests of investor-owned utilities are currently represented through the Body of State Regulators, there is no comparable representation for the end-use customer and regulatory interests of public power. While PGP recommends the creation of a Market Advisory Committee, which we would expect would include a sector for public power Market Participants, that forum will address market design issues that specifically impact Market Participant resource portfolios. PGP believes it is important that there be a specific place for the regulatory and customer perspectives of public power to be represented in the EIM and EDAM governance framework.

Other ISO/RTO models do not provide useful examples for how to address this issue. The other markets either have a very small percentage of public power customers or have very different governance models that include formal bodies with complex voting rights and allocations, which PGP does not recommend for this market. PGP requests a specific role for representation of public power customer interests in the governance structure.

PGP recognizes that EIM and the EDAM proposal does not impact current state or public power authority around resource adequacy or transmission planning and cost allocation. However, it is conceivable that this governance model could serve as the framework for future market designs that could include those functions. Given that, PGP believes now is the time to create the structure for public power representation to the Boards.

⁸ New England ISO Board conducts Participant Committee sector meetings in June and November each year. The meetings are with individual stakeholder sectors and Board members. The agenda is determined by the sector representatives and is designed for them to share issues that are important to the sector with the Board.

Suggestion for EIM and EDAM:

- PGP recommends that a public power body similar to the Body of State Regulators is created that is designed to represent the regulatory concerns and customer interests of public power. Specifically,
 - Allow each state with market participants to select a public power representative. Criteria for representatives might include the following:
 - Are not employed by a company that is a market participant with direct financial interest in the EIM.
 - Has a primary role of representing the interests of POUs.
 - Is in regular communication with POU market participants and governing bodies.
 - Has knowledge and an understanding of wholesale electricity markets and the Western Energy Imbalance Market rules, in particular.
 - Provide one representative from each PMA participant in the market. The representative must not have a job that includes day-to-day involvement in market participant activities.

ISSUE 4: OTHER POTENTIAL AREAS FOR GOVERNING BODY INVOLVEMENT

ISSUE 4: INPUT ON ROADMAP

PGP would like to see more authority given to the EIM Governing Body or an Independent Governing Body in EDAM over the timing, priority and process of stakeholder issues and over CAISO's annual roadmap process. The policy initiatives roadmap outlines a multi-year plan for major planned policy initiatives and is updated on a yearly basis. Stakeholders are able to provide comment on the roadmap and CAISO management makes a final recommendation and briefs the CAISO Board and EIM Governing Body. The Boards currently do not have any formal authority to approve or suggest changes to the plan. Yet which policy initiatives are pursued and under what timeline is very important in ensuring proper market design and function. PGP believes this process should be transparent, with robust stakeholder input opportunities and independent oversight and approval.

Suggestion for EIM and EDAM:

- The EIM Governing Body or Independent Governing Body and the CAISO Board should approve the policy initiative roadmap and any necessary updates or modifications. It may be necessary to consider how to resolve instances where the CAISO Board and EIM Governing Body or Independent Board do not agree on approval of the roadmap.

ISSUE 4: INDEPENDENT MARKET EXPERT FOR INDEPENDENT GOVERNING BODY

As market design issues become more complex and they impact a broader regional area, it is important for the Independent Governing Body to have independent market expertise that can:

- Inform and advise on market design;
- Evaluate different market design options; and
- Routinely evaluate market function to assure proper market function.

We have recent examples in the EIM where implementation of the market design and market function were impacting market participants negatively.⁹The success of EIM and EDAM rests on whether market participants have confidence in an efficient and fair market design and implementation. Market design is highly technical and will be unfamiliar to many regions/market participants that currently only participate in bilateral markets. An independent market expert will serve as an essential resource to assist the Independent Governing Body and stakeholders in navigating market design issues and choices and the expected outcomes.

The Department of Market Monitoring cannot fill this role because it reports directly to the ISO Board of Governors and therefore cannot serve as an independent market monitor for the full footprint. In addition, the load served by the day-ahead market today is primarily in California and understandably the DMM's existing focus and expertise has been on California-directed policies. In the EDAM footprint, the load served expands across many states and needs to function with other non-California regulatory constructs, which is another reason why an independent market expert is necessary.

The independent market expert would need to have access to all market related data in order to perform routine evaluations of market function. Further, it is recommended that the independent market expert be funded through a Grid Management Charge.

Suggestion for EIM:

- *PGP believes an independent market expert for the EIM would add value to CAISO's market functioning, regardless of whether EDAM moves forward. However, we believe the need for an independent market expert is much greater in EDAM for the reasons discussed above.*

Suggestion for EDAM:

- *PGP recommends that an independent market expert be brought on that reports to the Independent Governing Body. The independent market expert would serve as an educational resource for the Independent Governing Body and market participants on key market design issues, in particular, resource sufficiency requirements, GHG accounting, price formation and market power mitigation. The market expert would advise on issues related to the distributions of benefits and costs across regions and market participants and conduct analyses on issues as requested by the Independent Governing Body and market participants.*

ISSUE 5: GUIDING PRINCIPLES

PGP believes there is value in establishing guiding principles for any Independent Governing Body and we support these being included in governance documents, such as the EIM Governing Body Guiding Principles included in the EIM Governing Body Charter. We recommend identifying these early on so that they can help guide the work of the Governance Review Committee. PGP believes the mission and responsibilities of any Independent Governing Body should reflect and represent the interests of all impacted entities, regions and stakeholders.

⁹ The Real-Time Market Neutrality Settlement Initiative was opened as a result of stakeholder concerns regarding the accuracy of charges and compensation for products and services in the EIM including GHG compensation and accounting. <http://www.caiso.com/StakeholderProcesses/Real-time-market-neutrality-settlement>

Suggestion for EIM:

- PGP recommends the language related to exit criteria be strengthened as follows: “allow EIM entities to withdraw from the market within 180 days of notice, for any reason, with no exit fees.”

Suggestion for EDAM:

- PGP believes the EIM Governing Body mission and responsibilities can serve as a guide for EDAM mission and responsibilities, but enhancements should be made to reflect the broader impact of EDAM. EDAM will impact wholesale market opportunities across the West, for both market participants and stakeholders in the region that do not directly participate in EDAM.

The mission and responsibilities of the Independent Governing Body must reflect this broader impact. In addition, PGP recommends changes to strengthen the exit provisions. PGP suggests the following specific changes shown in red line:

- Help control costs to ensure that favorable cost/benefit ratios are maintained for the benefit of market participants and stakeholders in the EDAM footprint;
- Protect the ISO market, including the EIM, its participants, and consumers, and stakeholders in the EDAM footprint, against the exercise of market power or manipulation and otherwise further just and reasonable market outcomes;
- Facilitate and maintain compliance with other applicable legal requirements, including but not limited to environmental regulations and states’ renewable energy goals and carbon emission reduction goals;
- Allow EDAM Entities to withdraw from the EDAM within 180 days of notice, for any reason, with no exit fees; prior to any action that would cause or create an exit fee; and
- Allow options to expand the functionality of the ISO market to provide additional services.

PROCESS FOR APPROVAL OF PROPOSED CHANGES

- PGP supports the recommendation that changes to governance for EIM and EDAM be considered jointly by the CAISO Board and the EIM Governing Body.

SCHEDULE FOR COMMENTS AND STAKEHOLDER ENGAGEMENT

- PGP supports the current schedule for comments and stakeholder engagement and does not offer any suggested changes.

CONCLUSION

Governance is a gating issue for many potential market participants—it is essential to get it right in order to move EDAM forward and unlock the regional benefits it is expected to bring to market participants and stakeholders. PGP appreciates the work of the CAISO and the Governance Review Committee in establishing a process that thoroughly considers and determines the features of a governance framework for a future EDAM, along with changes to the governance of the EIM that may be warranted notwithstanding EDAM. We look forward to participating collaboratively in this process with the CAISO, GRC and other stakeholders and working together to establish an independent governance framework that respects and reflects the values, needs and concerns of all stakeholders in the regional footprint.