

Oct 6, 2021

POU EIM Entity Comments on the Role of the Governing Body Market Expert

The POU EIM Entities (Balancing Authority of Northern California, Los Angeles Department of Water & Power, Salt River Project, Seattle City Light) appreciate the opportunity to submit thoughts and ideas in response to the Survey distributed by the EIM Governing Body on the role of the Governing Body Market Expert (GBME). We have ordered our responses to align with the specific questions posed by the Governing Body (GB).

The GBME's primary focus should be to provide independent analysis, support, and expert opinion to the GB. The GBME should ensure that the EIM is administered equitably and consistent with market rules and focus on addressing important issues requiring expedited action. This applies to market evolutions, including a potential Extended Day Ahead Market (EDAM).

I. Scope of Issues the GBME Should Address

1. What should the GBME's primary focus be?

The GBME's primary focus should be to assist the GB in its understanding of, and decisions on, key market issues. For immediate purposes, key market issues that should be the focus of the GBME are primarily EIM issues. However, as the market evolves it is conceivable that issues that have a direct and material impact on the EIM may also be the subject of examination by the GBME. In addition, as EDAM becomes front and center, the GBME would be a valuable resource to the GB to critically analyze and critique proposed designs and identifying key EDAM design issues that should be considered.

2. What criteria, if any, should the Governing Body apply in deciding whether to request a GBME opinion on a particular matter?

Criticality of the issue in terms of its impact on the market, importance to stakeholders, and how the issue fits into the forward-looking market policy rubric are all factors that should be taken into account when the GB determines how it plans to use the GBME.

3. How do you envision the GBME supporting the Governing Body in its decision-making process?

At this initial juncture, activities that could be considered would be issue-by-issue opinions on various market initiatives. The GB may wish to consider regular reports on market issues similar to what the Department of Market Monitoring provides to the CAISO, although care should be taken to avoid duplication.

One area in which the DMM does not focus is the interaction between the bilateral markets in the West and the EIM. Since the CAISO markets are the predominate LMP-based market in the West, and because the CAISO relies on imports from areas where trading is

primarily bilateral, it is very important to understand the interaction between the two paradigms. Pricing interaction, for example, becomes important in scarce conditions when prices can tend to diverge. Understanding of the bilateral market dynamics and the impacts on EIM, and *vis versa*, is not a traditional area of focus of DMM or CAISO Staff, and would be a helpful addition to the tools the GB uses to shape market policy.

We as an EIM community are creating this from scratch, and further stakeholder discussion on how the GBME supports the GB would be helpful.

II. Key Qualifications and Criteria for Selecting the GBME:

The Governing Body currently contemplates that the GBME will be an individual or consulting firm with deep expertise in energy markets. For example, the GBME could be a former utility executive, a former state regulator, an independent consultant, or an academic with relevant market experience. The Governing Body further contemplates that the GBME will need to meet certain conflicts of interest requirements.

Questions:

1. What additional credentials or criteria, if any, should the Governing Body consider in selecting an individual who can successfully fulfill this role?

Our initial view is that the GBME must be independent; it likely cannot have direct or indirect relationships with market participants. Without this criterion, any advice of the GBME may be tainted by real or perceived bias. If this is the starting point for discussion, the GBME could have no direct contractual relationship with a market participant, or any contractual relationship with an industry group or association that includes market participants.

We recognize that this is a substantial hurdle. It likely disqualifies firms or persons with the most understanding of Western markets. A further understanding of how the GBME expert may be structured would be aid this determination. Is the GBME an individual or a firm? Also, what is the budget for this activity? These questions may shape how the GBME qualifications are determined.

Consistent with this first principle of independence, the GBME must not have a relationship with the CAISO or any another market operator whose markets directly interact or affect CAISO markets. Thus, for example, a consultant with a relationship with an eastern RTO would be acceptable. Indeed, it may be an advantage as many issues across RTO markets have parallels, even if they might not be identical. A consultant with a relationship with the CAISO or any other RTO that has a Western Interconnection footprint would not be acceptable.

Second, the GBME must truly be an *expert*. Many entities or individuals may be knowledgeable on market rules. The GBME must be able to assess data and both analyze known issues and anticipate future issues. This requires a very deep knowledge of LMP-based markets. The GBME should also have an understanding of the central software tools used by LMP-based markets to translate bids into price signals for the market, and basic grid operations practices.

Also, an understanding of and direct experience with regulatory processes such as at the Federal Energy Regulatory Commission would be helpful.

Other important skills and specific tasks may include:

- Optimizing data management in the market to ensure ease of access, transparency, and after-the fact validation
- Potential visibility into the EIM benefits analysis and whether it reflects real benefits from shadow settlements analysis

Third and finally, the GBME also be able to demonstrate highly effective communication skills which fosters the understanding and acceptance of complex market concepts and to decision-makers and stakeholders whom, amongst themselves, likely possess a wide range of different perspectives and depths of understanding on the spectrum of market topics.

III. Interaction with Stakeholders and the Stakeholder Process:

The Governing Body is considering how the GBME can most effectively interact with stakeholders, including the possibility of providing both written opinions and oral remarks at public meetings of the EIM Governing Body.

Questions:

1. Do you have any thoughts on how the EIM GBME could most effectively engage with stakeholders?

The ability to document/present findings in an open forum will be an important skill set for the GBME as it will build confidence and trust in the analysis of the GBME among market participants.

The POU BAAs anticipate that the GBME may be a regular participant in RIF discussions, be available to present data in relevant stakeholder initiatives, and appear before GB when initiative issues are presented.