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Comments Regarding CAISO’s *EIM Governance Review Issue Paper and Straw Proposal*

The Public Power Council (PPC) appreciates the opportunity to comment on the CAISO’s *EIM Governance Review Issue Paper and Straw Proposal* published on December 14, 2018 (“Issue Paper”). PPC represents nearly 100 public power and co-operative utilities across the Northwest. PPC’s members have a significant interest in the governance structure of the EIM from several perspectives: as purchasers of preference power and transmission services from the Bonneville Power Administration (BPA), as load serving entities in the current and/or future EIM footprint, and as possible EIM participants themselves. We also look forward to additional discussions on EIM Governance both as part of the CAISO stakeholder process and with BPA in its own stakeholder process designed to evaluate potential participation in the EIM.

PPC has previously collaborated with other public power utilities¹ in the Northwest to develop common interests for any centralized market that might include the Northwest. These interests are the basis for our comments on governance review and include:

- 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 Market Agencies, 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.

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

With these interests as our backdrop, we offer the following comments in response to the questions posed in the Issue Paper.

Comments in Response to CAISO's Proposed Revision to the Current Decision Classification Rules

CAISO's straw proposal correctly identifies a need to update the EIM Governing Body Charter and related guidance document to update the decisional classification rules. For issues in the CAISO's real-time market where changes are being driven by impacts to EIM entities, the EIM Governing Body should have primary authority to ensure the perspectives of the impacted EIM entities are sufficiently represented.

PPC appreciates the CAISO's efforts to adopt the changes outlined in Section II of its EIM Governance Review Issue Paper and Straw Proposal as soon as possible to ensure that proper decision classification rules are in place for upcoming policy issues. PPC also seeks to better understand specifically how CAISO intends to identify whether changes are being proposed for a rule that is a "generally applicable real-time market rule, but the rule is proposed primarily to address an issue facing EIM balancing authorities" as contemplated in its proposal. For instance, it was PPC's understanding under the proposal put forth in the Issue Paper, the Local Market Power Mitigation Enhancements proposal would have been under the primary authority of the EIM Governing Body as the problems solved by these enhancements were raised by EIM participants. PPC would like clarification from the CAISO on this point.

In addition to adopting the changes included in the CAISO's straw proposal, the CAISO should consider expanding the primary authority of the EIM Governing Body to cover all real-time market rule changes, regardless of the driver, unless the change has no impact on EIM participants. The EIM and CAISO 5- and 15- minute markets share rules and systems so any changes to the real-time rules will impact participants in both markets. Providing primary authority to the EIM Governing Body would allow for more diverse interests to be considered when updating these rules. Additionally, this change would still provide the CAISO Board of Governors an opportunity to review the rules prior to them being finalized. If the EIM Governing Body is given primary authority of all real-time market issues, the CAISO Board of Governors would review the changes as part of its consent agenda, giving them an opportunity to opine on the proposal. This would ensure that all real-time market stakeholders are represented when rule changes are approved. CAISO could explore this change either concurrently with the change described in its straw proposal or as part of its broader governance review.

Comments in Response to CAISO's Proposed Scope for the EIM Governance Review

PPC appreciates CAISO's request for feedback on the scope of the upcoming EIM Governance Review and generally agrees with the categories and sub-areas within those categories that the CAISO has identified for review. However, we would like to see an expanded review of the stakeholder process, as well as the inclusion of some additional topics not addressed in CAISO's Issue Paper. While the CAISO notes that the governance for the Extended Day Ahead Market is out of scope for this discussion, we believe that improving the EIM governance now will provide a sound structure to expand on once those discussions commence.

Northwest Public Power Representation in Governance

Primary among PPC's concerns with the EIM governance structure is ensuring sufficient representation for Northwest public power. Northwest public power entities located in PacifiCorp's BA are already impacted by EIM markets and operations. If BPA were to join the EIM, it would bring with it nearly 100 public power utilities in its balancing area that will be also be impacted. Despite these potential and likely significant impacts, the current governance structure provides Northwest public power utilities with no direct input to the EIM Governing Body. Therefore, the EIM governance review process should include discussion on creating a larger role for public power, the type of role that ensures the interests of Northwest public power are represented and communicated directly to the EIM Governing Body.

Northwest public power has a unique perspective that cannot be adequately represented by other types of entities or even similar entities from other regions. First, the regulatory structure for public power utilities is different from IOUs that are regulated by appointed state commissioners. Public power entities are regulated by locally-elected officials who provide oversight and guidance for the utility's business. Second, public power entities are not-for-profit, which may cause a divergence of interest from their IOU counterparts that act on behalf of their stockholders. Third, Northwest public power entities have a distinctive generation mix, the majority of which is hydro. Hydro generation offers unique benefits, such as its flexible generating capacity, but also unique challenges, such as operating constraints stemming from flood control, irrigation, transportation, and environmental demands. All these factors cause Northwest public power to experience unique impacts in response to EIM market rules. These impacts need to be specifically represented in the EIM governance structure.

There is currently no avenue for Northwest public power to collectively communicate the interests of its customers directly to the EIM Governing Body. The interests of IOU customers are being represented directly to the EIM Governing Body through the Board of State Regulators. The EIM governance review should include an effort to create similar representation for public power customers impacted by the EIM.

As part of a previous process exploring the governance structure of a possible RTO, the CAISO proposed development of a Western States Committee. This proposal could be a helpful starting point in developing a governance role for public power. The proposed Western States Committee included representatives from public power and from federal power marketing agencies, as well as representatives from Public Utility Commissions. While the CAISO originally made this proposal in response to possible regionalization, it is an appropriate model to consider as a starting place in the EIM, which is a west-wide market that includes eight states and continues to grow.

With this growth, the need for representation of the interests of public power customers continues to increase in importance. This need becomes even greater should BPA decide to become an EIM Entity, given the large number of public power utilities within its Balancing Area. The possibility of additional expansion of the EIM beyond its current real-time structure also increases this need. Developing a representative and robust governance structure now will provide a strong foundation to build on if the market is expanded.

A revised Western States Committee is only one of a number of possible solutions to address the underrepresentation of public power in EIM governance. We look forward to collaborating with the Body of State Regulators (BOSR), the Regional Issues Forum (RIF), CAISO staff, and other stakeholders to develop viable solutions during the EIM Governance Review stakeholder process.

Responses to Suggestions on Stakeholder Process

PPC agrees with the CAISO's suggestion that a review of the BOSR and RIF should be included in this process. In this review, CAISO should consider expanding the role of both bodies by providing them more opportunity to give direct input to the EIM Governing Body on active stakeholder issues. Other Regional Transmission Organizations have advisory committees consisting of stakeholders and participants. These could be helpful examples of how to more fully integrate the existing stakeholder bodies into the governance structure. Making such a change would allow the EIM Governing Body to receive the full benefit of direct stakeholder input when policy initiatives are discussed. Of course, any changes to these bodies should be considered in tandem with other changes identified during the governance review to determine what adjustments are needed to increase the direct stakeholder input received by the CAISO.

PPC supports CAISO's proposal to create a stakeholder-based working group. This structure worked well in the Transitional Committee and would provide the best opportunity for stakeholders to collaborate during the governance review. The proposed composition of this stakeholder group is a good starting point, but CAISO should ensure that representation from the stakeholder classes identified in the Selection Policy for the EIM Governing Body is diverse enough to represent all stakeholder perspectives; this may require inclusion of more than one stakeholder from each class. For instance, as explained above, Northwest public power entities have a unique perspective and cannot be sufficiently represented by other types of entities or entities from another region.

Additional Topics for Inclusion in EIM Review

In addition to the categories identified in the Issue Paper, the review should also include the EIM Governing Body's role in developing the Annual Policy Initiatives Catalog and Roadmap. Currently, CAISO staff independently determines the agenda for the Roadmap development, which has lacked the transparency needed for such an important process. To ensure that the EIM stakeholders key priorities get addressed, the roadmap development process should allow the EIM Governing Body to have the discretion to add issues that are imperative to EIM participants to roadmap for the next year.

The CAISO's governance review process should also ensure that a durable structure is established for the EIM Governing Body. The broad regional participation in the EIM requires an independent governing body to oversee the market. As long as the EIM exists as a separate market, including possible EIM expansion into a Day Ahead market, the EIM Governing Body should continue to exist. This independent body should not exist at the discretion of the CAISO Board of Governors. That a majority vote of the CAISO Board could dissolve the EIM Governing Body, even if the EIM market is still active, is not acceptable. At the very least, CAISO should strengthen the durability of the EIM Governing Body by modifying the charter to require a super majority vote

from the CAISO Board of Governors for dissolution. The governance review process should include a full assessment of what changes are needed to the EIM Governing Body charter to ensure durability.

Future Participation

PPC appreciates CAISO's efforts in developing this proposal and white paper. We look forward to future discussion on these issues as part of the CAISO EIM Governance Review stakeholder process.