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## RE: CAISO EIM Governing Body Market Expert

PPC appreciates the opportunity to provide input on the appointment of an independent market expert to help inform the EIM Governing Body<sup>1</sup>. The analysis and perspectives provided by this expert should not only help the Governing Body members in their decision-making but will provide useful analysis and insight that allows stakeholders to participate in the EIM in a more informed manner. PPC continues to support the appointment of an EIM Governing Body Market Expert (GBME) and believes that this appointment will lead to better design outcomes for all EIM participants.

### *Focus of the EIM Governing Body Market Expert*

The scope of the GBME should potentially include:

- 1) Ongoing analysis of existing market design features;
- 2) Situation specific analysis of EIM operations; and
- 3) Evaluation of proposals advanced as part of CAISO initiatives.

Ongoing analysis of existing market design features could allow the GBME to monitor and evaluate the performance of certain aspects of the EIM which have been previously raised by stakeholders – including the EIM participants, Governing Body, the Department of Market Monitoring (DMM), or the Market Surveillance Committee (MSC) – as potential areas of concern. Assessment of the potential for market power or the evaluation of greenhouse gas accounting rules are just a couple examples of existing market elements that could benefit from this type of ongoing review. The CAISO is currently proposing that the DMM take over monitoring of the Resource Sufficiency test. This may be an area where ongoing assessment from the GBME is more appropriate given that the test exists only because of the EIM. Moving this responsibility to the GBME could also lighten the workload for DMM, although DMM still could choose to conduct its own evaluation of the RS test as well.

Situation specific analysis of EIM operations could arise out of market irregularities and require additional study. One such example is the heat events of August 2020. In the Root Cause Analysis produced by the CAISO, California Public Utility Commission and California Energy

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<sup>1</sup> In addition to these comments PPC has responded to the survey sent out by CAISO regarding the EIM Governing Body Market Expert.

Commission, only two pages of the nearly 150-page document referenced impacts to the EIM. This is an area where the GBME could have provided timely analysis to inform the Governing Body and EIM stakeholders on the causes of and impacts from those events as related to the EIM. It would be beneficial to have an entity available to focus on evaluation from the perspective of EIM participants in these instances.

Additionally, the ability to gain insight on market design proposals from an independent industry expert would be extremely valuable to market participants. As discussed further below, the GBME should be a person or entity with experience across multiple organized markets. This experience, as well as the ability for the GBME to perform additional analyses on proposed solutions, will provide helpful insight for both the Governing Body members in making their decisions, as well as the stakeholder community in evaluating potential solutions and better understanding their ultimate impact.

There should not be limitations to what the Governing Body can ask the GBME to opine on. For instance, the GBME should not be limited to focusing only on issues that are part of an active stakeholder process, nor should the GBME be precluded from assessing those issues. The Governing Body should be able to direct the GBME's work in a manner that would best help them perform their duties and inform their decisions. Also, the GBME should not be barred from providing analysis and opinions on matters that have been reviewed by the DMM or the MSC. It is not uncommon for both DMM and the MSC to review the same issue and similarly the GBME could provide additional insight and a unique perspective to topics that may be discussed in other forums. While the Governing Body may want to consider what information has already been provided by the DMM and MSC – or other stakeholders – in determining what topics are most valuable for the GBME to review, MSC and DMM review should not prevent the GBME from evaluating those issues.

### ***The GBME Role in Supporting the Governing Body***

PPC supports the Governing Body requesting an opinion from the GBME in any scenarios where the Governing Body believes that additional analysis or expert evaluation will be helpful in informing the Governing Body's decision. The GBME has been created first and foremost to assist the Governing Body members in their duties.

We offer these considerations to the Governing Body (in addition to the above discussion on scope) for determining whether a GBME opinion should be requested. First, issues that create distinct impacts to EIM Entities and participants should be prioritized for receiving GBME review. These are issues where the EIM may have unique characteristics as compared to the existing day-ahead market. Transmission use and availability, the design and application of the resource sufficiency test, and greenhouse gas accounting are all examples where rules impact those inside and those outside the CAISO BAA differently. This is not to suggest that the GBME should not assess issues of importance to the CAISO BAA nor that impacts to the CAISO BAA should not be included in the GBME's review. Instead, it is a solely a recommendation on how to prioritize issues that could best benefit from the independent perspective provided by a GBME.

As discussed above, the GBME should not be limited to providing input on active CAISO initiatives; however, to the extent there are issues raised in active CAISO initiatives that could benefit from additional analysis, those issues should take priority. These may be issues where stakeholders have done an initial analysis that would benefit from independent review or where insufficient public data is available for a stakeholder analysis to be conducted.

A last consideration for GBME evaluation may be the potential benefit of “best practices” insight on specific market issues. As discussed further below, the GBME should have robust experience in other organized markets, as well as a familiarity with the OATT framework. To the extent that there may be meaningful lessons learned from other organized markets on specific issues, those issues should be prioritized for GBME evaluation. The GBME can then use its expertise in other organized markets to provide information on best practices to the Governing Body.

### ***Independence and Expertise Critical to Making GBME Valuable***

Appointing the right GBME will be critical for creating the most value for the Governing Body and thus for the EIM market as a whole. Above all, the GBME must be independent. The primary additional benefit from the GBME position is having an independent perspective on the performance and design of the EIM. The experience that a candidate brings to the position is also essential for establishing a useful GBME role. Appointing an expert that has a wide range of experience with different organized markets and different types of resources will be important for informing their work as the GBME. Whether the candidate is an individual or an organization – this diversity of experience will be vital in ensuring that the GBME is well equipped to address the issues presented by the Governing Body.

Specific credentials should include:

- A range of experience providing independent analysis across different organized markets with diverse mix of generation resources.
- A strong reputation with FERC and among industry experts for analyzing organized market design.
- Knowledge of the OATT framework and experience with seams issues are important considerations.

While not a requirement, experience serving as an external market monitor could be very beneficial because it brings with it experience interacting with diverse stakeholders, documenting analysis for broad stakeholder consumption, and identifying areas ripe for study/monitoring in the market.

### ***Other Considerations***

As mentioned throughout these comments, stakeholders also stand to benefit from the additional information and perspectives that a GBME could provide. In order to provide the greatest benefits to EIM stakeholders we recommend that as much of the GBME’s analysis as possible be made available publicly. This could include specific stakeholder meetings to present the GBME analysis (much like what is done with the DMM and MSC). Written reports, in addition to presentations given to the Governing Body and other stakeholders, would also be helpful. In the

case that the Governing Body requests that the GBME opine on an active stakeholder process, it would be helpful for the GBME to engage in the stakeholder meetings on that initiative.

While PPC understands there may be some concern with the potential complications of appointing a GBME, we have observed that existing market analysis functions – such as the DMM and MSC – have been successful at co-existing and bringing benefit to the CAISO markets. Even with the existing tools, we have observed areas that would benefit from additional analysis as described above. We expect these areas for potential analytical opportunity will only grow as the market becomes more complex and continues to expand. We thank the members of the Governance Review Committee for their hard work to create this new resource for the EIM Governing Body and we appreciate the opportunity to further comment here. We look forward to continuing to engage as the Governing Body works to appoint a GBME and are excited for the additional insight, experience, and independent review that this role will provide.