

WESTERN ENERGY IMBALANCE MARKET

Discussion and presentation of Revised Straw Proposal

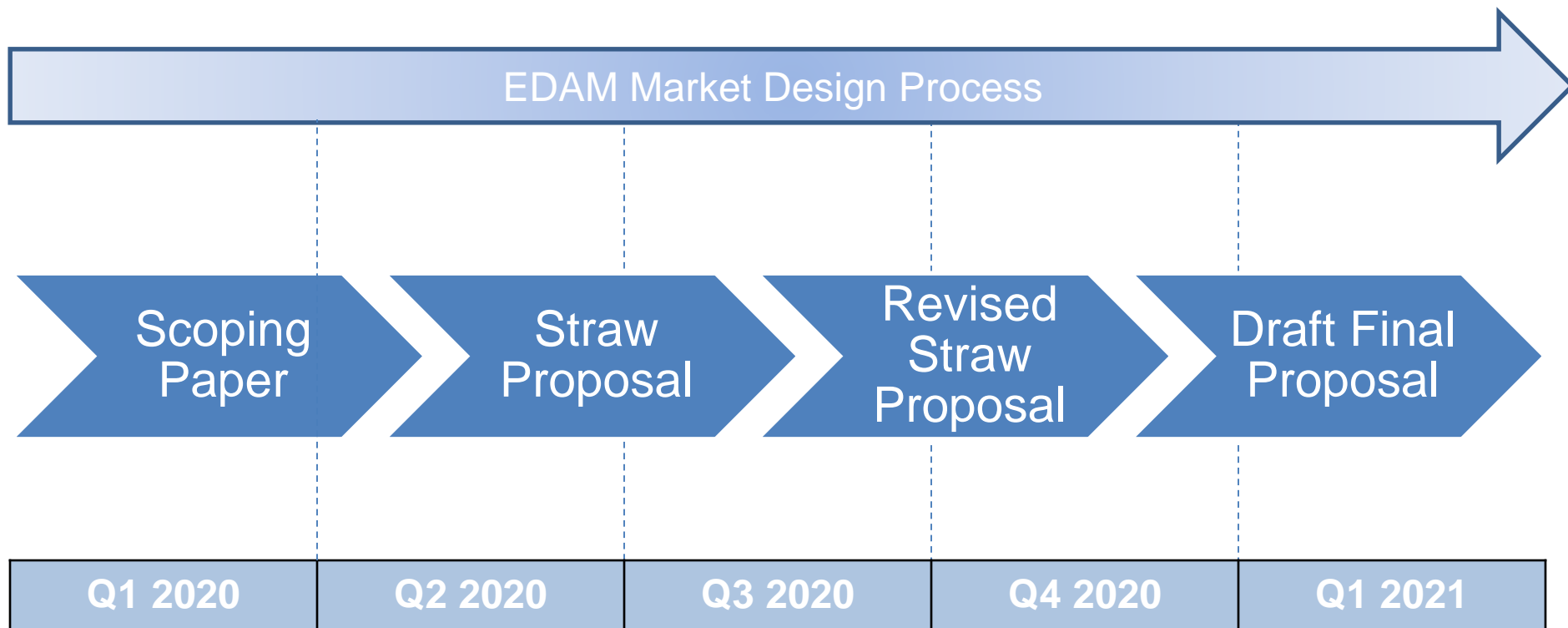
EIM Governance Review Committee
General Session
December 18, 2020



Agenda

- Public comment
- Decision on September 15, 2020 General Session Minutes
- Introduction
- Review recommendations
- Next Steps

The GRC is developing its proposal through an iterative public process that involves publicly posting a series of issue papers and straw proposals for stakeholder comment.



The revised straw proposal seeks feedback about the committee's recommendations, some are new or different from the July 31, 2020 Straw Proposal.

- Six broad categories of issues about governance
- Includes discussion of comments, how they influenced collective thinking, and sets forth refinements to the proposal
- GRC encourages feedback on all aspects of the revised straw proposal

Western EIM Governance Review Committee Member
Tony Braun

THE DELEGATION OF AUTHORITY AND DURABILITY

For the delegation of authority, the GRC continues to support joint authority but agrees a more precise definition is warranted in the “EIM-only” scenario and defers discussion on “EDAM” scenario until more is known about the final EDAM market design.

- Joint authority extends over all proposed changes to the market design or market rules that apply to the EIM or the Real Time Market, except for any such rules that apply either (i) only to the CAISO controlled grid or
 - Option 1: (ii) only to the CAISO balancing authority area.
 - Option 2: (ii) only to the CAISO balancing authority area that are related to reliable operations

To enhance durability of the governance structure, the GRC recommends a 45-day period before the Board votes on a governance change if the EIM Governing Body does not support the proposed change.

- During this period, the two bodies would hold at least one public meeting to discuss the proposal and would further work together to attempt to identify a mutually acceptable resolution
- If that effort is unsuccessful, then the Board may vote on the proposal and if it is supported unanimously, the notice period for implementing the change would begin to run immediately thereafter

The GRC proposes a refinement to the durability of the joint authority model to account for a scenario where a large number of EIM Entities give notice to withdraw from the EIM.

- If 85% of the highest annual net energy for load outside the CAISO balancing authority area have given notice of their intent to withdraw
 - Board has discretion, by unanimous vote, to rescind delegation
 - Waives the both the 180-day notice and 45-day negotiation period
- Ensures Board can promptly approve tariff or other changes as needed

Western EIM Governance Review Committee Member
Jennifer Gardner

DISPUTE RESOLUTION

On the issue of dispute resolution for market rule changes, the GRC continues to recommend the iterative process outlined in its July 31, 2020 straw proposal, with certain modifications and criteria around a dual FERC filing.

- Where Governing Body and CAISO Board cannot reach agreement, an iterative process commences
- Dual filing at FERC is option of last resort and involves CAISO management making one filing that clearly sets forth the Governing Body's preferred tariff change and the Board's preferred tariff change
- FERC must approve one alternative or the other in their entirety (i.e., no hybrids allowed)
- There is a narrow set of circumstances where a dual filing would not apply

After considering stakeholder comments, the GRC recommends keeping the current process to resolve any disputes regarding decisional classification determinations.

- CAISO staff makes preliminary determination and refines it based on stakeholder comments and any changes to the substance of the initiative
- At the conclusion of the stakeholder process, a final decisional classification notice is sent to the chairs of the Governing Body and Board before a tariff amendment is submitted for approval
- If the chairs disagree, the two bodies meet as a “committee of the whole” to decide by majority vote
- CAISO Board Chair serves as the tie-breaker, if needed

With changes in technology and accessibility, the question of whether an exigent circumstances provision is truly needed was debated by the committee.

- To date, CAISO has never invoked provision
- Current open meeting rules already accommodate emergency meetings
- GRC recommends removing exigent circumstances provision

Western EIM Governance Review Committee Member
Suzanne Cooper

REGIONAL ISSUES FORUM

The GRC recommends revised sector definitions that are similar to those used in the Governing Body Nominating Committee and adding a sector specifically for Federal power marketing administrations.

- EIM Entities
- CAISO Participating Transmission Owners
- Consumer-owned utilities located within an EIM/EDAM balancing authority area
- Public interest groups and consumer advocates
- Independent power producers and marketers
- Federal power marketing administration

Western EIM Governance Review Committee Member
Mary Wienke

OTHER POTENTIAL AREAS FOR GOVERNING BODY INVOLVEMENT

The GRC considered whether to propose changes to the Roadmap process that would require a vote of approval from the Governing Body, the Board, or both.

- Recommends CAISO continue the current roadmap process
- Requiring formal approval would negatively impact flexibility, efficiency and productivity
- Encourage CAISO management to explain reasoning behind its decisions about the relative priority of possible initiatives

The GRC continues to believe that additional market expertise should be available to the Governing Body to provide expertise and in-depth analytical capability relating to organized markets and help evaluate available market design choices for EDAM.

- Mission is consistent with EIM Governing Body Mission which is to support benefits for market participants as a whole, including both the CAISO balancing authority area and EIM (or EDAM) balancing authority areas.
- Costs should be recovered from all market participants
- EIM Governing Body has authority to define scope and select market expert

The GRC supports greater participation by the BOSR and believes an outside agreement between BOSR members and state regulated market participants provides flexibility to both parties to adjust the agreement over time.

- GRC is encouraged by positive discussions between BOSR and state regulated market participants
- GRC believes outside funding provides flexibility to the participants
- If agreement is reached, this issued would be dropped from final proposal

In response to stakeholder comments on EIM Entity tariff consistency, the GRC does not believe action is necessary but highlights existing avenues for discussion of the issue.

- The RIF and the CAISO policymaking process are more appropriate ways of addressing tariff inconsistencies

The GRC maintains its recommendation that there be the opportunity for the GRC to evaluate any EDAM-specific aspects of the proposal once the proposed EDAM market design is better known.

- Maintain plan to submit draft final proposal by Q1 2021 for recommendations associated with EIM governance
- Re-evaluate the need for any EDAM specific governance once an EDAM proposal is developed

Western EIM Governance Review Committee Chair
Therese Hampton

LEGAL APPENDIX

Stakeholders also submitted a request for additional authority of the Governing Body and requested CAISO legal staff explain how certain existing California law could affect EIM governance and regional integration.

- CAISO legal expanded Appendix A to include:
 - Legal Analysis included in Straw Proposal
 - Answers to specific questions raised by stakeholders

Next Steps

- A link to submit comments will be available on the EIM GRC initiative webpage by December 18, 2020
- Stakeholder comments due January 22, 2021
- Submit draft final proposal for approval by the Board and Governing Body by end of Q1 2021