



Shaping the Future of the West

January 15, 2015

Stacey Crowley
Director, Regional Affairs
CAISO
250 Outcropping Way
Folsom, CA 95630

Re: Conceptual Governance Models for the Energy Imbalance Market

Dear Ms. Crowley:

The Sonoran Institute appreciates the opportunity to provide comments regarding the January 5, 2015, issue paper prepared by the EIM Transitional Committee on *Conceptual Models for Governing the Energy Imbalance Market*. The Institute works on renewable energy planning and policy issues across the Intermountain West. We have been a strong advocate for the development and expansion of energy imbalance markets, including providing supportive comments in response to the Nevada EIM docket.

Overall, the Sonoran Institute support elements of the second conceptual model, the creation of an EIM governing body with authority delineated under CAISO's bylaws. If properly designed and implemented, we believe that this model could honor existing institutional roles and market responsibilities, provide for transparency and accountability, and allow for ease of participation for interested entities.

A few specific comments related to this option:

- While we are supportive of the development of regional energy markets, we believe that the CAISO bylaw amendment and charter for this governing body should be explicit that this body is solely focused on the development of an Energy Imbalance Market and integration of five- and 15-minute markets. Having such a clear focus will provide clarity to decision makers and stakeholders as to the purpose of this governing body and build confidence among these groups regarding the EIM.
- As noted above, the EIM should provide for low-cost and easy entry and exit for potential market participants. The straw proposal should provide a detailed description of entry and exit requirements.

- We would encourage creation of an associated advisory committee to the governing body that would provide state regulators with a forum for them to learn more about the EIM and provide input on specific issues related its implementation. Such an advisory committee should help bolster decision maker and stakeholder confidence in the EIM and its governing body.
- We support development of specific criteria for the nomination and selection of governing body members. These criteria should be explicit that candidates and appointed governing body members must be independent from market participants. We would suggest that the selection criteria focus primarily on a set of desired skills and expertise and should not be limited to sectoral or geographic representation.
- With regard to resources and staffing, we would encourage consideration of a possible hybrid between the descriptions provided by the second and third models. We do not believe a separate entity is needed, and that staffing could be housed within CAISO. However, in the straw proposal, we would like greater clarity and detail as to the reporting relationship and decision making authority among CAISO staff, the governing body, and the CAISO Board. Additionally, we would like to see a discussion of the funding needs to operate the EIM, how adequate funding would be dedicated for staffing and other resources for the EIM, and whether all participating entities should help underwrite these resources.

Should you have any questions about or wish to discuss any of the above comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Shepard". The signature is fluid and cursive, with a prominent initial "J" and "S".

John Shepard
Senior Adviser

CC: Amanda Ormond, Western Grid Group
Carl Zichella, Natural Resource Defense Council