

## Energy Imbalance Market Governance Revised Proposal and Draft Charter Comments

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Company	Date	Submitted By
Alliance for Retail Energy Markets (AReM)	10/25/2013	Sue Mara
<b>Do you support the sector definition and nomination and ranking process for the Transitional Committee?</b>		
<p>No. The sector definitions exclude competitive retail providers, namely electric service providers (ESPs) and community choice aggregators (CCAs). ESPs and CCAs are load-serving entities (LSEs), which each reliably serve their loads, meet resource adequacy and renewable portfolio standards requirements, and are active buyers and sellers in CAISO markets. For example, ESPs serve 13% of the retail customers in the service areas of the investor-owned utilities.</p> <p>The Revised Governance Proposal provides no justification for excluding these entities, which represent a significant segment of the California market. Accordingly, AReM requests that the definition of Sector #3, "Generators and Marketers," be revised as follows to ensure that competitive retail providers are represented within the Sector definitions:</p> <p><i>Generators and marketers:</i> Generators and marketers are entities that engage in the wholesale or retail purchase or sale of electric energy or capacity. Entities may participate in this sector without regard to the fuel source of the underlying generation.</p>		
<b>ISO Response</b>		
The sector definitions do not exclude any stakeholder from participation. The ISO believes that the current definition for Generators and Marketers includes the broad range of energy providers, both at the wholesale and retail level.		
Company	Date	Submitted By
California Public Utilities Commission (CPUC)	11/1/2013	Alan Meck, Candace Morey
<p>CPUC staff appreciates the opportunity to participate in the CAISO's Energy Imbalance Market (EIM) Governance initiative. The EIM is a very important issue with the potential for far reaching market design impacts, and it is important for the process that the Governance structure be robust and stakeholder driven.</p>		
<b>ISO Response</b>		
Thank you for your response.		
<b>Do you have any comments on the draft charter?</b>		
Each sector should be guaranteed 1 seat on the Transitional Committee to ensure a balance and diversity of ideas and backgrounds is incorporated into the Transitional Committee.		

The current proposal sets out seven different sectors for representation on the Transitional Committee: Investor Owned Utilities, Publicly Owned Utilities, Generators and Marketers, Alternative Energy Providers, EIM Participants, Governmental Agencies, and Public Interest Entities. But under the current proposal, the only function for these sectors is to nominate individuals from their respective sectors to serve on the Transitional Committee, (and rank all of the nominated individuals for the final list of nominations). To ensure that the Transitional Committee will be comprised of representatives from each of these sectors, CPUC staff recommends that each of the sectors be guaranteed a spot on the Transitional Committee. This would result in a Transitional Committee that has a diverse background of knowledge and interests, something that the current proposal lacks.

CAISO would still have the necessary flexibility to select a diverse and qualified group of individuals. A slot guarantee for each sector would not restrict CAISO's member selection because there are 9 members on the transitional committee in total and room to add 2 more if new participants to EIM arrive.

**ISO Response**

We are seeking a Transitional Committee that is a diverse, well-qualified group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector.

Each sector will have the responsibility to develop criteria and qualities by which to select and rank nominees for consideration by the Board. The ISO Board will have the responsibility to assure that the overall makeup of the committee will be capable of promoting broad interests and success of the EIM. It will also seek a diversity in the membership that will represent the broad and diverse interests of entities in the West.

Company	Date	Submitted By
Interstate Renewable Energy Council (IREC)	10/25/2013	Kris Mayes, The Kris Mayes Law Firm

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

Yes. IREC largely supports the nomination and ranking process for the Transitional Committee. In particular, we appreciate the decision of Staff to propose raising the number of Committee members from seven to nine, which we believe will enhance the ability of CAISO to attract additional regions and utilities into the EIM effort. Similarly, we agree with the decision to allow two additional members for the Committee, based on the membership of the first two additional entities to join the EIM. However, we would encourage CAISO Staff to consider allowing up to four new members based on new EIM membership, or even one member for each new state that has a utility join the EIM.

We are also supportive of splitting public interest entities and governments into two separate sectors, as this will improve the ability of CAISO to reach out to multiple states and the Governors and Public Utility Commissions for their involvement and input into the

process. We are convinced that Western States will ultimately see the value in EIM, and that CAISO should make every possible effort to reach out to them. We are aware that CAISO has hired a regional manager for EIM, and we support that decision.

IREC has one concern with regard to the process of selecting the Transitional Committee: to the degree that the ISO Board is not required to choose one member from each sector, it may result in a Transitional Committee that is not completely reflective of the various stakeholder groups that are interested in EIM. It would be unfortunate if stakeholder groups devoted resources and time to the CAISO process, only to find that their efforts were for naught. We recommend that CAISO Staff consider amending its proposal to require that each sector receive representation on the Committee. Additionally, we are concerned that the process identified by Staff, in which the sectors will each rank one another's members, followed by the submission of a single list to the ISO Board, could result in a ranking that is somewhat skewed. Again, we recommend that the rankings be done by each sector, and that each sector receive representation on the Transitional Committee. If this is not possible, then IREC recommends that the ISO Board find some other way to ensure each sector that its interests will be represented on the Transitional Committee.

#### **ISO Response**

The ISO proposal limits the Transitional Committee participation to nine members with the ability for two additional members should additional EIM entities join the EIM. If more than two EIM Entities join within the time in which the Transitional Committee is operational, the ISO Board may decide to revisit the number of members on the Transitional Committee.

We are seeking a Transitional Committee that is a diverse, well-qualified group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector.

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee. As stated above, the Transitional Committee membership demands high competencies and it also demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector. It will also seek a diversity in the membership that will represent the broad and diverse interests of entities in the West.

**Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?**

Yes.

#### **ISO Response**

Thank you for your response.

**Do you have any additional comments not covered above on the changes made in the revised governance proposal?**

IREC reiterates its hope that the ISO Board will strongly encourage Transitional Committee meetings and other related activities occur at least occasionally outside of the state of California in order to facilitate the widest possible understanding and acceptance of the EIM initiative.

**ISO Response**

The ISO proposal states that meetings of the Transitional Committee will be public meetings and that those meetings should be held at locations where the public can attend. The charter states that the ISO will make its Folsom office available for meetings, but that the committee may meet at any other location in the Western Interconnection, so long as there is public access as prescribed by the ISO's Open Meeting Policy. The Transitional Committee may want to take this up at one of their initial meetings, so members and stakeholders can plan appropriately.

Company	Date	Submitted By
Marin Energy Authority (MEA)	10/25/2013	Jeremy Waen

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

No. The sector definitions exclude non-Investor Owned Utility (“IOU”) Load Serving Entities (“LSEs”), namely community choice aggregators (“CCAs”) and electric service providers (“ESPs”). CCAs and ESPs reliably serve their loads, meet Resource Adequacy (“RA”) and Renewable Portfolio Standards (“RPS”) requirements, and are active buyers and sellers in CAISO markets. MEA serves approximately 125,000 accounts throughout its service territory. Though MEA is the only CCA currently operational, other CCAs including the Sonoma Power Authority (“SPA”) and CleanPowerSF are progressing through the necessary implementation steps and aim to launch service within the next year.

By excluding CCAs and ESPs, the Revised Governance Proposal would deny direct representation for significant segments of the California market. Accordingly, MEA requests that the definition of Sector #3, “Generators and Marketers,” be revised as follows to ensure that competitive retail providers are represented within the Sector definitions:

Generators and marketers: Generators and marketers are entities that engage in the wholesale or retail purchase or sale of electric energy or capacity. Entities may participate in this sector without regard to the fuel source of the underlying generation.

**ISO Response**

The sector definitions do not exclude any stakeholder from participation. The ISO believes that the current definition for Generators and Marketers includes the broad range of energy providers, both at the wholesale and retail level.

Company	Date	Submitted By
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<b>Natural Resources Defense Council (NRDC)</b>	10/25/2013	Carl A. Zichella
<b>Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?</b>		
<p>NRDC believes this process reasonably will capture the views and definitions of the key range of stakeholders with an interest in furthering the development of the EIM. The provision that the Board select eight of the nine members of the eventual transitional committee members from the stakeholder provided list makes the process much more meaningful for stakeholders participating in the process. The approach to securing and ranking nominations seems reasonable but more detail in the process of how stakeholder liaisons will be identified and engaged is needed. The sector definitions adequately reflect the range of interests central to expeditiously and properly developing the formal structure that will govern the EIM. NRDC especially appreciates the separation of public interest organizations from governmental entities. We further support the proposal to expand the number if additional parties interested in joining the EIM come forward.</p>		
<b>ISO Response</b>		
<p>Thank you for your response. The draft final governance proposal further details the role of the sector liaison and suggests how each sector may choose to select that individual. Each sector may decide to develop its own liaison selection process but the ISO recognizes that it may be helpful for the sectors to have a place to start.</p>		
<b>Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?</b>		
<p>The roles established for the transitional committee provide wide latitude to members regarding EIM issues they choose to address. This flexibility will allow for a broad range of topics to be discussed. The decision-making process will also allow for a full range of views to be provided to the Board, including minority views which NRDC supports.</p>		
<b>ISO Response</b>		
<p>Thank you for your response.</p>		
<b>Do you have any comments on the draft charter?</b>		
<p>The Draft Charter is an accurate reflection of the parameters, roles and responsibilities set forth in the Revised Governance proposal. NRDC has no specific criticisms of the charter as currently presented.</p>		
<b>ISO Response</b>		
<p>Thank you for your response.</p>		
<b>Do you have any additional comments not covered above on the changes made in the revised governance proposal?</b>		
<p>NRDC appreciates the changes proposed since the first iteration and looks forward to being an active participant in the process. We are excited about the prospects for an EIM</p>		



in easing renewable energy integration across the West, and pleased with the leadership role the CAISO and its partner PacifiCorp has played in bringing it closer to a reality. A successful EIM will mean a faster, more flexible, cleaner grid helping save participants' customers money while accelerating California's efforts to meet the CO<sup>2</sup> reduction goals established in state law.

**ISO Response**

Thank you for your response.

Company	Date	Submitted By
PacifiCorp	10/25/2013	Cory Scott

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

Yes, subject to the following comments. The sector definitions and the nomination and ranking process continue to require additional clarification. Specifically, the Transitional Committee draft charter should clarify that an EIM Entity's position on the Transitional Committee will not be interpreted as representing the EIM Participants sector. EIM participants that are not EIM Entities may have viewpoints that are unique to the level and substance of their participation in the EIM, and may or may not necessarily align with an EIM Entities' participation. As a result, the EIM Participants sector should be designed to provide input on Transitional Committee nominees and rankings to the Board from EIM Participants.

**ISO Response**

Any member of the Transitional Committee may or may not have the same viewpoints or provide the same recommendations as those within the member's identified sector. Further, the nomination and ranking process has been better defined in the revised documents.

**Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?**

Yes, PacifiCorp generally supports the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter. However, PacifiCorp offers the following comments for consideration.

First, the ISO should clarify that the Transitional Committee's role is focused on successful and timely implementation of the EIM market design policies established through the ISO EIM stakeholder process. The Transitional Committee's role should not include reconsideration of settled EIM market design policies. The Transitional Committee should also not duplicate the work already completed by interested stakeholders as part of the extensive ISO EIM stakeholder process.

Second, in addition to the requirement that the Transitional Committee provide both a majority and minority opinion with its recommendations to the Board, the Transitional

Committee should also expressly describe the position of EIM Entities on the Transitional Committee. Given the EIM Entities role in the EIM, their positions will be important for the Board to consider to ensure the success of the EIM.

Finally, while the ISO's response to comments on the initial Governance Proposal indicates that the ISO does not intend to limit the Transitional Committee's consideration of any long-term, independent governance structure, the guidelines and parameters described in the draft charter and revised Governance Proposal may be too limiting. To the extent guiding principles are included in the draft charter or revised Governance Proposal, they should be high-level and avoid unnecessarily constraining the Transitional Committee's ability to consider and develop an independent governance structure.

### **ISO Response**

Although the Transitional Committee may share its views with the Board on all matters related to the pre-start-up testing and early operational phases of EIM, this role is advisory in nature and is intended to supplement, not supplant, the ISO's existing stakeholder processes for EIM implementation. Moreover, unlike the process for developing a long-term governance proposal, the Transitional Committee is not expected to undertake its own formal stakeholder process in connection with providing input on issues relating to the start-up and early operation of EIM, as this would be duplicative of existing stakeholder processes.

Regarding the comment that EIM entities' views should be made known to the Board in addition to the majority and minority opinions, it is important to note the open nature of the ISO stakeholder process and board meetings. We have specified that the ongoing work of the Transitional Committee will be conducted in an open stakeholder process similar to ISO processes. Anyone can participate in a stakeholder process. And likewise, anyone can address the Board. We believe this openness will allow individual parties, including EIM Entities and others, the ability to express their views to the board.

Regarding the concern to not over-prescribe the work of the Transitional Committee on the long-term governance structure, the ISO has not proposed any ultimate structure at this stage. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation.

### **Do you have any comments on the draft charter?**

Yes. Many of the proposed edits are described in response to Question 2 above. Nonetheless, PacifiCorp provides the following comments specific to the draft Transitional Committee charter.

Section I and Section IV.A of the draft charter should be revised to clarify that the Transitional Committee's role is to assist the Board in the initial implementation of the market design policies for the EIM as established through the ISO EIM stakeholder process.

Section II.A of the draft charter should be clarified so that no two Transitional Committee members from the ranked lists of candidates provided by the stakeholder sectors shall be

from the same corporation or affiliated group.

Section III.B of the draft charter should be revised to provide that actions can be taken by the Transitional Committee following an affirmative vote of the majority of members in attendance once a quorum is obtained. Otherwise, Transitional Committee members may be able to disrupt the committee's ability to make recommendations to the Board simply by their absence. In addition, members of the Transitional Committee should be required to articulate their positions in opposition to any matter to foster discussion among the committee and provide a well-reasoned recommendation and minority opinion to the Board.

Section IV.A of the draft charter should be revised to require the Transitional Committee to provide a description and rationale for any recommendation to the Board, any minority opinion, and the position of the EIM Entities on the Transitional Committee. Successful implementation of the EIM will require direct input from EIM Entities.

Section IV.B of the draft charter should be revised to ensure that any guiding principles for the long-term, independent governance structure are high-level and do not unnecessarily constrain the Transitional Committee in its consideration of an independent governance structure. The Transitional Committee should have the discretion to make policy and design recommendations with respect to the development of an independent governance structure necessary to achieve the objectives identified in the Governance Proposal for the EIM.

#### **ISO Response**

In most cases these suggestions for the charter are discussed and reflected in the most recent clarifications to the governance proposal and/or the charter.

Regarding the comment on Section III.B of the charter, the proposal offered by the ISO suggests that a majority opinion of the committee in fact reflects a majority of the committee members then in office. The change suggested above could result in a majority opinion that is not really represented by the majority of the committee.

#### **Do you have any additional comments not covered above on the changes made in the revised governance proposal?**

PacifiCorp's comments above are made in relation to both the draft Transitional Committee charter and the revised Governance Proposal.

#### **ISO Response**

Thank you for your response.

<b>Company</b>	<b>Date</b>	<b>Submitted By</b>
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<b>Pacific Gas &amp; Electric Company (PG&amp;E)</b>	10/28/2013	Alex Morris
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### **I. Introduction**

Pacific Gas and Electric Company (PG&E) offers these comments regarding the California Independent System Operator’s (CAISO) Energy Imbalance Market (EIM) Governance Revised Straw Proposal.

PG&E requests several key changes to the proposal. These changes reflect PG&E’s principled concerns for market efficiency and fairness. While PG&E supports the promise of the EIM and the benefits of more regional involvement, the primary goal with the governance of EIM should continue to be to create a workable structure that promotes greater (intraregional) market efficiency benefits, but only at reasonable costs.

To this end, the CAISO should adopt the following changes:

- Reserve positions on the Advisory Committee (AC) for CAISO Participating transmission Owners like PG&E.
- Develop rules to replace AC members when key circumstances change, e.g. an individual on the AC moves to a new company.
- Establish “exit provisions” for EIM entities.
- Delay CAISO Board of Governors (Board) consideration of the EIM Design from the November Board meeting to the December Board meeting so that the Board can consider EIM design and governance as a total consolidated package.

PG&E elaborates on these points below.

### **ISO Response**

We are seeking a Transitional Committee that is a diverse, well-qualified group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector.

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee. As stated above, the Transitional Committee membership demands high competencies and it also demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector. It will also seek a diversity in the membership that will represent the broad and diverse interests of entities in the West.

The charter explains the process for a member to be replaced if he or she is unable to serve on the committee as well as a process for voting out a member by a two-thirds vote of the Board.

The exit provisions are described more fully in the EIM market design document but include a 180 day notice to exit, along with minimum charges. Additionally, all other costs

are covered under the pay as you go concept.

## **II. PG&E Comments**

### **1. PG&E should have a position on the AC.**

PG&E and other CAISO market participants with heavy exposure to market risks and uplifts deserve seats on the AC. These parties have incentives to promote market efficiency and fairness achieved at reasonable costs. Reputable market theoreticians known for promoting market efficiency, e.g. Market Surveillance Committee (MSC) members, also qualify for AC membership. Moreover, under a structure where the majority of AC members primarily promote market efficiency and fairness, parties whose participation in the CAISO market is mandatory, e.g. existing CAISO PTO loads, are better protected against the risks of unfair cost-shifting or unreasonable exposure to market uplifts resulting from the EIM. The CAISO should stipulate and prioritize these criteria for AC membership and reserve select seats on the AC for PG&E and other correctly incentivized entities or sectors.

While other entities may want AC membership, their incentives may be less aligned with market efficiency and fairness than those of CAISO PTOs such as PG&E. As the CAISO has included requirements for open-meetings and stakeholder processes in EIM Governance, non-AC members still have opportunities to share their views, regardless of their incentives to promote market efficiency and serve on the AC.

#### **ISO Response**

As stated above, the Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Each sector will have the responsibility to develop criteria and qualities by which to select and rank nominees for consideration by the Board. The ISO Board will have the responsibility to assure that the overall makeup of the committee will be capable of promoting broad interests and success of the EIM.

### **2. AC rules should address the treatment of AC appointees when they change companies or when their company's EIM-status changes.**

Rules should anticipate that AC members may change companies and that EIM entities may depart the EIM. In these situations, AC membership may become inappropriate. Rules must address these possibilities and should be spelled-out in the "Energy Imbalance Market Transitional Committee Charter."

#### **ISO Response**

The revised Transitional Committee charter further details committee membership and replacement policies.

### **3. The CAISO should place more exit provisions on EIM entities.**

PG&E continues to recommend that an EIM Entity be required to pay a charge upon its exit for any unfunded investments or obligations attributable to the EIM Entity and costs attributable to its exit. The CAISO's proposal for a costless and quick exit from the EIM could allow EIM entities to potentially avoid costs they helped to cause. Such an outcome is inappropriate as it may result in cost shifts to remaining market participants. Exit

provisions should include both a plan to assess cost-obligations for exiting entities as well as reasonable timelines for advance notice of membership withdrawal. The former prevent cost-shifting, and the latter promote smoother and more certain cost allocation via longer planning cycles.

Exit provisions are a well-established practice supported by FERC. In *Duquesne Light Co.*, FERC found that companies that voluntarily join a Regional Transmission Organization (RTO) – similar in many ways to an EIM – should have the ability to withdraw “as long as the replacement rates that are established are just and reasonable, the contractual obligations under the RTO arrangement are met, and adverse effects on remaining RTO members as a result of the transmission owner’s withdrawal have been considered”. Rules in the CAISO’s Transmission Control Agreement (TCA) 6 also established the reasonableness of such an approach. Analogous exit provisions should be developed for departing EIM Entities.

While PG&E recommends that exit provisions be reasonable and fair, parties could potentially remain flexible enough so that they do not endanger EIM participation. For example, if identical advance notification and exit obligation rules unduly impede EIM entry, slight adjustments could be made, e.g. rules could exempt an EIM entity from any exit provisions for its first several months in order to allow EIM entities to try the EIM. Once more experience is gained with the EIM, however, more equivalent exit-obligation and exit-notification rules should apply.

#### **ISO Response**

As stated above, the exit provisions are described more fully in the EIM market design document but include a 180 day notice to exit, along with minimum charges. Additionally, all other costs are covered under the pay as you go concept. The Transitional Committee may provide input to the Board on matters related to the pre-start-up testing phase and early operational phase of the EIM.

#### **4. The CAISO should delay consideration of the EIM Design for one month.**

PG&E requests that consideration of the final EIM design by the CAISO Board of Governors be delayed from the November CAISO Board meeting to the December CAISO Board meeting. This way the CAISO Board can be presented a comprehensive EIM package, incorporating both design and governance matters. For example, rules governing an EIM Entity’s exit from the EIM are a key part of both the market design and governance.

CAISO Management has informed PG&E that it opposes delay, in part because the development of the EIM tariff cannot be delayed until after the December CAISO Board meeting. However, given the progress made on EIM design, PG&E suggests that the development of the EIM design tariff language can begin immediately; there is no need for the tariff development to wait until the CAISO Board approves the EIM design.

#### **ISO Response**

The ISO acknowledges PG&E’s concern. The Board vote on November 7 was made to maintain the schedule for start-up of EIM on October 1, 2014.

Company	Date	Submitted By
Portland General Electric (PGE)	10/25/2013	Donald Light
<b>Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?</b>		
<p>Portland General Electric Company (PGE) supports the sector definitions proposed in the Revised Governance Proposal and draft Transitional Committee Charter. With regard to the nomination and ranking process, PGE has some concerns with the current proposal.</p> <p>First, with regard to the rankings by sector, the current proposal would leave to the sector liaisons the responsibility to “determine, by general consensus, the ranking process” to be used by that sector. While PGE does not believe this process needs to be spelled out in rigid detail in the Charter, PGE is concerned that there is <i>no</i> process guiding sector liaisons in developing the sector rankings.</p> <p>PGE is also concerned with the CAISO Board’s ability to exercise a great deal of discretion in seating the Transitional Committee. While the proposal calls for each sector to submit a ranked list of candidates, and the Board is required to appoint eight of the nine initial members of the Transitional Committee from that list, the Board is only required to “give careful consideration” to the rankings under Section II.C.2 of the proposed Charter.</p> <p>Looking at these two concerns together, the process for seating the Transitional Committee consists of two steps: (1) a ranking process where CAISO-appointed sector liaisons have a great deal of discretion in developing candidate rankings; and (2) an appointment process where the CAISO Board has a great deal of discretion in seating the Transitional Committee. Given the important work the Transitional Committee will be tasked with during the critical formative period of the EIM, PGE believes there should be additional controls built into this process to ensure the appointment of a Transitional Committee that represents a diversity of viewpoints, and provides ample opportunity for the parties most interested in the development of this EIM to have substantial roles in the EIM development process.</p>		
<b>ISO Response</b>		
<p>The revised governance proposal provides further detail on the nomination and ranking process. The ISO staff makes suggestions on how to select a sector liaison, how to collect nominations and provides criteria by which to rank nominees. Each sector may elect to use the recommended process or develop its own. This additional definition around the evaluation criteria will provide greater insight to the Board when they review the ranking results.</p>		
<b>Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?</b>		
<p>PGE generally agrees with the two primary responsibilities of the Transitional Committee – advising the CAISO Board, and developing a proposal for long-term EIM governance. However, it is unclear to PGE whether the CAISO Board has any real obligation to consider and act on the advice of the Transitional Committee – both on general EIM</p>		

development matters and the Transitional Committee’s long-term governance proposal.

Over time, PGE believes that for this EIM effort to be most effective and to have the greatest chance of wide adoption, it needs to evolve into a stand-alone market utilizing certain of the CAISO’s tools and processes, but largely divorced from other CAISO markets and operations. With the CAISO Board able to exercise a great deal of influence during the critical development phase of the EIM (and possibly beyond), it is unclear that the Transitional Committee will have enough independent authority to develop an EIM that will attract broad participation.

**ISO Response**

Thank you for your response. As an advisory committee to the ISO Board, the Transitional Committee has the opportunity to provide meaningful input on matters related to the pre-start-up testing phase and early operational phase of the EIM as well as propose a path to an independent EIM governance structure. The committee will have the ability to meet with the Board, provide briefings and make recommendations that should have the goal to attract broad participation. The independent EIM governance structure recommendation will still need final approval by the ISO Board.

Company	Date	Submitted By
PUC EIM Group	10/25/2013	Travis Kavulla

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

Yes, the PUC EIM Group supports the sector definitions, the nomination process, and the ranking process. The PUC EIM Group fully supports the CAISO’s objective of seating a Transitional Committee with appropriate experience, sector diversity, geographic diversity, and leadership ability.

The PUC EIM Group reiterates that the credibility of the Transitional Committee will depend on its geographic and sector diversity. The potential expansion of the EIM will be in large part dependent upon the acceptance of the EIM governance by a broad range of stakeholders in the Western interconnection. A lack of diversity would undermine open discussions about EIM matters, and would likely lead to disputed work products. The PUC EIM Group agrees that specifications that would limit the maximum and minimum number of representatives from a particular area or a particular sector are not as helpful as applying judiciousness and foresight to the selection of the Transitional Committee members.

**ISO Response**

Thank you for your response.

**Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?**

With regard to the Transitional Committee role of advising the Board on matters related to the start-up and initial implementation of the EIM, the PUC EIM Group urges the



Board and the Transitional Committee to diligently develop implementation strategies that support ease of entry for additional entities.

With regard to the development by the Transitional Committee of a long-term EIM governance structure, the PUC EIM Group stresses that it is critical to have an EIM governing entity that is substantively and comprehensively independent from the California Governor-appointed CAISO Board.

From a legal perspective, the PUC EIM Group urges the CAISO to provide in the next governance proposal an analysis of the following:

A. The ability of the CAISO to implement an independent EIM governing entity within the constraints of California statute. Legal analysis supporting that California statute does not require modification for the type of EIM governance envisioned would be beneficial to the EIM efforts. The PUC EIM Group encourages the CAISO to provide to stakeholders a clearly articulated and appropriately cited legal analysis that supports the development of an independent EIM governing entity within the framework of California statute.

B. The ability of the CAISO to delegate authority to an independent EIM governing entity under Section 205. The PUC EIM Group is not aware of a situation where an RTO has spun-off what is in essence a separate organized market, for the limited purpose of real-time dispatch, which is both wider in its geographic footprint and also unavoidably intertwined with the more complex RTO. The CAISO may want to consider requesting a declaratory order from FERC at the same time the initial tariff language for the EIM is filed. Similar to our comments in section 2.A. of this document, the PUC EIM Group encourages the CAISO to provide to stakeholders a clearly articulated and appropriately cited legal analysis that supports the development of an independent EIM governing entity within the framework of federal statute and FERC precedent.

The CAISO has indicated that the analysis contemplated above could be conducted in tandem with the work of the Transitional Committee. However, inasmuch as the governance proposal articulates clearly a terminal goal of an independent EIM governance structure, it would be useful to conduct and make public the legal analysis sooner rather than later.

### ISO Response

The ISO's initial review of relevant legal authorities indicates that the ISO Board may delegate certain aspects of Section 205 authority, subject to FERC approval. The specific legal requirements will depend upon the precise structure proposed. Additionally, any need to review potential changes to California Statute can be examined during the course of the Transitional Committee's work. The ISO is committed to providing legal analysis and guidance as to any governance structure the Transitional Committee considers.

Company	Date	Submitted By
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Southern California Edison (SCE)	10/25/2013	Gigio Sakota, Eric Little
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The following are Southern California Edison’s (SCE) comments on the California Independent System Operator’s (CAISO) Energy Imbalance Market (EIM) Revised Governance Proposal (Proposal) and EIM Transitional Committee Draft Charter (Draft Charter). SCE appreciates the opportunity to provide comments and participate in the stakeholder process.

SCE continues to support the CAISO’s proposed phased-in approach, where a Transitional Committee would be formed first, and a final governance proposal developed later through an appropriate stakeholder process. SCE appreciates the changes and clarifications the CAISO has made in this revised Proposal, in particular:

- Clarifying that the CAISO is not prejudging the outcome of the Transitional Committee’s work, especially when it comes to the shape of the final EIM governance structure;
- Stating that the EIM governance structure “cannot create the potential for dueling filings at FERC”; and
- Clarifying that the Transitional Committee work shall be done in an open stakeholder input and review process.

SCE is still concerned about appropriate representation of California customers and Investor Owned Utilities (IOU) serving them on the Transitional Committee. While SCE supports CAISO’s view that “the Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector”, it is hard to imagine a “diverse, well-qualified, group that can promote the objectives of a successful EIM” without experts from the three entities serving majority of the load in the CAISO / PacifiCorp EIM footprint. To be clear, SCE is not advocating for a designated seat on the Transitional Committee, but simply voicing a concern that the CAISO Board should consider when applying its discretion in selecting the committee members.

SCE is also still concerned about having an EIM governance structure that would potentially result in two Boards with authority over the same Real-Time market. The problem is that there is no distinguishable set of tariff requirements that can be solely attributed to EIM that do not also have an impact on CAISO operations or markets in general. SCE plans to further voice these concerns once the Transitional Committee is nominated and it starts its stakeholder process.

Below are SCE responses to specific questions the CAISO has asked:

**ISO Response**

Thank you for your response. With regards to the membership of the Transitional Committee, membership demands high competencies and nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector. Each sector will have the responsibility to develop criteria and qualities

by which to select and rank nominees for consideration by the Board. The Board will have the responsibility to assure that the overall makeup of the committee will be capable of promoting broad interests and success of the EIM.

With regards to the real-time market concerns, the ISO believes that it would be premature to determine which portions of the EIM tariff, or other market authority could be delegated, until the tariff has been vetted through the stakeholder process and the Transitional Committee has an opportunity to gain experience and perform its work in this process. The ISO does not contemplate two completely autonomous boards with authority over the same market.

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

SCE is comfortable with the nomination and ranking process framework as described in the Proposal. As discussed above, when selecting the committee members, the CAISO Board needs to recognize that the majority of the load in the combined CAISO / PacifiCorp EIM footprint will be served by the three California IOUs (PG&E, SCE and SDG&E). Hence, the CAISO should use its best judgment, in addition to stakeholder rankings, and ensure that there is appropriate representation and expertise from California IOUs on the committee.

**ISO Response**

We are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities.

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee. The Transitional Committee membership demands high competencies and nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

**Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?**

SCE appreciates the clarifications made in the latest Proposal, and supports the roles identified for the Transitional Committee as well as the outlined decision making process. As explained in the Proposal, the committee work must be transparent, open to stakeholder input, and mindful of both majority and minority views.

**ISO Response**

Thank you for your response.

**Do you have any comments on the draft charter?**

SCE has no comments at this time; the draft charter is consistent with the Proposal.

**ISO Response**

Thank you for your response.

<b>ISO Response</b>		
<b>Company</b>	<b>Date</b>	<b>Submitted By</b>
<b>Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities)</b>	10/25/2013	Bonnie Blair, Rebecca Sterzinar
<b>Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?</b>		
At this time, the Six Cities do not take a position with respect to the sector definitions or the nomination and ranking process for the Transitional Committee.		
<b>ISO Response</b>		
Thank you for your response.		
<b>Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?</b>		
<p>The Six Cities do not support the roles identified for the Transitional Committee. As included in the draft charter, the ISO identifies two responsibilities of the EIM Transitional Committee: (1) advise the ISO Board of Governors on EIM matters (for example, EIM market design initiatives and EIM transmission access charges or rights); and (2) develop a proposal for a long-term EIM governance structure.</p> <p>Rather than take on the two roles proposed by the ISO, the Transitional Committee should be formed for the sole purpose of developing a long-term EIM governance structure. The ISO's proposal that the Transitional Committee also advise the ISO Board on such EIM matters as market simulations, early operations, testing, and implementation will serve as a distraction to the task of creating the long-term governance structure. The Transitional Committee's role should be focused only on that structure, and not on other responsibilities that will divert resources from ensuring that there is an effective governance structure in place going forward.</p> <p>Additionally, assigning the Transitional Committee the role of advising the ISO Board with respect to EIM design and operational matters gives Transitional Committee representatives a greater say in market design and operations issues. Because the Transitional Committee will not necessarily include one representative from each sector, some sectors will have more input in EIM design matters than others. EIM matters should be handled only through the ISO stakeholder process so that all EIM market participants will have input as to how the EIM is designed and how it operates. The ISO's stakeholder process is the appropriate forum for consideration of market design and operational issues.</p> <p>Further, assigning two entities to handle EIM design and operations matters – the ISO and the Transitional Committee – creates a duplicate burden on stakeholders to follow two mechanisms for input on EIM design issues. These issues should be addressed only through the ISO stakeholder process and not considered simultaneously by the Transitional Committee.</p>		

**ISO Response**

Although the Transitional Committee may share its views with the Board on all matters related to the pre-start-up testing and early operational phases of EIM, this role is advisory in nature and is intended to supplement, not supplant, the ISO’s existing stakeholder processes for EIM implementation.

Moreover, unlike the process for developing a long-term governance proposal, the Transitional Committee is not expected to undertake its own formal stakeholder process in connection with providing input on issues relating to the start-up and early operation of EIM, as this would be duplicative of existing stakeholder processes.

**Do you have any comments on the draft charter?**

As stated in response to Topic 2, above, the Transitional Committee should not be tasked with advising the ISO Board on matters related to EIM market design initiatives or other similar matters. Section IV of the draft charter outlines the responsibilities of the EIM Transitional Committee. The draft charter should be revised to remove Section IV.A, which explains the EIM’s responsibility to advise the ISO Board of Governors on EIM matters. The EIM Transitional Committee’s responsibilities should be limited to matters related to developing a proposal for a long-term EIM governance structure, as outlined in Section IV.B of the draft charter.

**ISO Response**

The charter reflects the advisory role of the Transitional Committee on EIM design matters.

**Do you have any additional comments not covered above on the changes made in the revised governance proposal?**

At this time, the Six Cities have no additional comments on the changes made in the revised governance proposal.

**ISO Response**

Thank you for your response.

Company	Date	Submitted By
Sacramento Municipal Utility District (SMUD)	10/25/2013	Andrew Meditz

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

In its Revised Governance Proposal, the CAISO has increased the seats on the Transitional Committee (TC) from 7 to 9, however, the CAISO also clarified that while it will have the sectors nominate and rank TC candidates, there is no guarantee that each sector will be represented. The TC will be determined based on ranking, not sector. While some, including SMUD, advocated for more sector representation on the TC (specifically, 14 members with 2 representatives from each of the 7 sectors), SMUD’s position was premised on a view that each sector should be represented and that most of the sectors were too diverse for a single representative. Moreover, 2 representatives

from each sector provides the ability to share responsibilities, including meeting coverage and work product. Given that there is no requirement to have sector representation, merely adding numbers doesn't necessarily improve the process.

#### ISO Response

We are seeking a Transitional Committee that is a diverse, well-qualified group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. The Transitional Committee meetings will be conducted as public meetings where all stakeholders will have the opportunity to provide input.

#### Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?

A. Two of the roles identified for the TC are to provide advice on all EIM market design initiatives and matters pertaining to the setting of any transmission access charge (Revised Governance Proposal, p. 15). While SMUD supports the TC's involvement in these areas, the proposal appears to conflate its role by not coinciding with the EIM timeline over the next two-plus years. The TC is slated to begin operation in March/April 2014; however, by this time, the market design will be approved by the CAISO Board and the tariff changes submitted to FERC for approval. SMUD recognizes that implementation of the design elements will have the benefit of TC's involvement and the Business Practices Manual will need updating, but for the most part, the design elements will be set in stone. Regarding the transmission access charge, the TC is proposed to operate until March/April 2016; however, development of any transmission access charge will take place during the second year of the EIM (Fall 2015 - Fall 2016). Accordingly, the TC's role is limited to just the initial phase of development.

B. As to the additional role of the TC in developing a long-term governance structure, given the importance of governance with respect to the overall stability and credibility of the CAISO EIM, the EIM Transitional Committee Charter should be more specific with respect to its description of the associated stakeholder process. Specifically, Section IV.B should be amended to include the following statement from Section 4.2.2 of the Revised Governance Proposal:

To ensure that the long-term governance proposal reflects the input of all potentially interested parties, the TC will be required to develop its proposal through an open stakeholder review and input process similar to the stakeholder initiative process currently used by CAISO staff in developing proposals for the Board. Specifically, the TC will be required to publish a series of draft proposals for stakeholder comment on an iterative basis, culminating in a final proposal for submission to the CAISO Board. The TC will also collect and consider written comments from interested stakeholders and will convene stakeholder meetings or teleconferences, as appropriate, to discuss and receive further input on iterations of the proposal.

#### ISO Response

Although the Transitional Committee may share its views with the Board on all matters related to the pre-start-up testing and early operational phases of EIM, this role is advisory in nature and is intended to supplement, not supplant, the ISO's existing stakeholder processes for EIM implementation.

Company	Date	Submitted By
<b>Western Resource Advocates (WRA)</b>	10/25/2013	Nancy Kelly

**Do you support the sector definitions and the nomination and ranking process for the Transitional Committee?**

**Sectors**

WRA appreciates the ISO creating separate sectors for government agencies and public interest organizations. We further support separate sector representation for Alternative Energy Providers from other Generators and Marketers. Finally, we support separate representation for EIM Participants from the other utility sectors. Rankings provided to the ISO Board of Governors from the IOU, POU, and EIM Participant sectors may be unique enough to provide meaningful information to assist the Board in selecting members to the Transitional Committee.

**Nomination and Ranking**

WRA supports the concept of developing a deep pool of well-qualified individuals with broad cross-sector experience.

WRA supports each sector developing a ranking of the complete pool of nominees and providing this information to the Board of Governors to use in its selection of the Transitional Committee members.

However it appears that the first step in which each stakeholder sector compiles a list of candidates “consisting of at least two nominations” is unnecessary, potentially, counterproductive, and has caused confusion and some discontent. Therefore, we believe an open nomination process should replace the currently proposed compiling of nominees by the individual sectors.

When sectors compile a list of candidates a sense of “ownership” may arise and a desire for “representation” on the Transitional Committee by at least one of those identified candidates.

Alternatively, certain sectors may be unable to “compile a list of at least two nominations.” The ability of sectors to support nominees financially, through time allocation and travel expenses, differ significantly. The financial resources required to participate in the Transitional Committee could be significant to some smaller companies, state agencies, and to those organizations that rely on external funding sources. How that inability to offer candidates would then affect that sector’s ability to participate in ranking the pool of nominees is unclear.

While we appreciate what we perceive to have been the ISO’s purpose in proposing this first step—assuring sector breadth in the pool of nominees—we don’t believe this

approach will necessarily achieve that purpose, is unnecessarily complex and has unintended consequences.

WRA recommends an open nomination process and changes to the charter to reflect the open nomination process.

If the ISO continues to use the process currently proposed, “of at least two” should be struck from the charter language, and the sectors ability to participate in the ranking of nominees, regardless of the number of nominations arising in that sector should be assured.

#### **ISO Response**

The value of the sector nomination process is that, with the guidance of the sector liaison, the sectors will discuss the qualities and criteria best suited to solicit the best nominees for consideration by the Board for membership on the Transitional Committee. The proposal to have at least two nominees from each sector stems from the need to have an adequate pool of nominees for the Board to consider. Nominees don’t necessarily have to represent the sector, but should be considered a highly qualified individual that fulfills the qualities outlined in the revised proposal.

#### **Do you support the roles identified for the Transitional Committee and the decision-making processes for the committee outlined in the revised governance proposal and draft charter?**

In our September 6, 2013 submission we commented that “the perspectives, skills, knowledge, background and industry experience required to provide qualified and well-reasoned input to the ISO Board of Governors regarding start-up, design, and implementation are not necessarily the same skills and experience sets best suited to develop a governance structure,” and we suggested populating two committees to meet the different purposes and objectives.

We appreciate the ISO’s acknowledgement of this point during the October 11, Stakeholder meeting. In response to our concern, the ISO expressed optimism that a deep, broad pool of nominees with cross-sector experience can be developed so that a well-balanced Transitional Committee can be formed with members who have the skills to perform both functions well and do so in balanced manner.

While we hope the ISO’s optimism is well-placed, we are not as optimistic that this will be the outcome – in part due to sector differences in ability to fund effort. We continue to believe the ISO should consider populating two committees to separately address the two identified functions: (1) provide the Board with input on EIM-related issues during start-up and early implementation and (2) develop a proposal for an independent governance structure.

#### **ISO Response**

The primary role of the Transitional Committee is to develop proposals and recommendations for a long term independent structure for the EIM. Although the Transitional Committee may share its views with the Board on all matters related to the pre-start-up testing and early operational phases of EIM, this role is advisory in nature



and is intended to supplement, not supplant, the ISO's existing stakeholder processes for EIM implementation.

**Do you have any comments on the draft charter?**

See our response to Question 1.

**ISO Response**

Thank you for your response.

**Do you have any additional comments not covered above on the changes made in the revised governance proposal?**

It appears to us that there may be a conflict between the ISO's desire to develop a well-balanced, experienced, expert Transitional Committee and the decision to not provide financial support to Transitional Committee members. As discussed above, smaller companies, state agencies, and organizations that rely on external funding may be unable to allocate time or travel expenses to this work, despite, its long-term importance. Therefore, a bias may be introduced into the pool of potential Transitional Committee members, unintentionally limiting the breadth of industry experience, experience that could be particularly relevant to developing independent governance. We request the ISO give some thought to how to address this potential bias in the candidate pool.

We appreciate the opportunity to participate in the Stakeholder process.

**ISO Response**

As stated in the draft final governance proposal, committee meetings must be held at a location where the public can attend, either in person or via telephone or some other electronic means such as the Web. Committee members are encouraged to attend in person for those meetings that are established as in-person gatherings, but may participate by telephone where necessary, including if in-person attendance would pose a logistical or financial hardship.