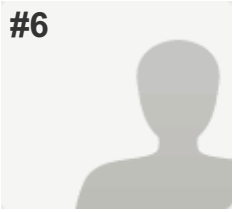


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**Q1: Contact Information:**

First/Last Name:

Ann Rendahl, Commissioner

Organization:

Washington Utilities and Transportation  
Commission

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**Q2: Since your organization has been participating in the EIM governance development process, how successful has the process been and what lessons can be learned from this experience?**

The creation of the independent Energy Imbalance Market Governing Body through the Transitional Committee and stakeholder process has been a productive step forward in the operation of the EIM. The Washington Utilities and Transportation Commission (UTC) is pleased with the EIM governance structure, the nominating committee's efforts and the formation of the current Governing Body. The UTC looks forward to turning its attention to the operational effectiveness of the EIM Governing Body and CAISO's working relationship with the EIM Governing Body, Body of State Regulators and Regional Issues Forum.

A key takeaway for the UTC from the launch of the EIM is that governance is a critical item in the creation or expansion of centralized markets, and should be addressed early in the process. While the creation of an independent EIM governing body ultimately has been successful, initiating the process was unnecessarily delayed. The CAISO did not present a formal proposal for the creation of an independent EIM governing body until August 13, 2013, and proposed a 2.5 year transition timeline for its creation. As a result, the independent EIM Governing Body now in place was not available to contribute guidance on the preparation for PacifiCorp's entry into the EIM or to provide guidance during the transitional period that occurred after PacifiCorp began participating in the EIM.

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**Q3: What, if anything, would you change in hindsight of your initial EIM experiences?**

In hindsight, the excitement and rush to establish a Western EIM resulted in the failure to establish necessary performance metrics, expectations and reporting requirements for EIM participation and operation. Clear metrics and requirements are critical for realizing the potential benefits of an EIM without adversely impacting market participants – and ultimately the ratepayers – throughout the Western region. The UTC raised concerns about the lack of such metrics prior to the launch of the EIM, but did not request upfront that such metrics be provided contemporaneously with the launch and operation of the EIM.

Subsequent to the initial launch of the EIM, the Federal Energy Regulatory Commission (FERC) required readiness criteria for balancing area authorities (BAA) joining the EIM. This helped to ensure that EIM entities are prepared for and better perform the mechanics of EIM operations as each utility launches or cuts-over to operating in the EIM market with CAISO. However, as additional BAAs examine the costs and benefits of joining an EIM or regional ISO, performance metrics and methods for determining overall benefits are key prerequisites for assessing actual results created by the centralized dispatch of an EIM. These prerequisites are necessary not only for helping BAAs or load serving entities consider how or whether to participate in the EIM but also for understanding the EIM's effect on parties participating in the western bilateral market.

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**Q4: Looking forward, what does success look like for the EIM Governing Body and for the EIM governance process in 12 months and then again in 24 months?**

The EIM Governing Body should pursue with singular dedication the interests of the Energy Imbalance Market and those affected by it, including EIM entities, prospective EIM entities, and retail ratepayers, who ultimately consume and pay for the electricity. The value proposition of the EIM is its ability to create efficiencies for EIM entities that ratepayers will ultimately realize in the form of lower costs.

The foundations to achieving these goals and benefits are transparency and responsiveness to the interests and needs of all stakeholders in the West, not just EIM entities. The EIM Governing Body will play a critical role in ensuring that CAISO is transparent and responsive to the needs and perspectives of all regional stakeholders.

To this end, the EIM Governing Body should facilitate communication and information flow from its deliberations and from CAISO's processes to the Body of State Regulators (BOSR), the Regional Issues Forum (RIF) and other regional stakeholders. If done in a timely manner, such communication and transparency provides all stakeholders an opportunity to consider and provide input on EIM operational performance and policy issues. The RIF provides a valuable opportunity for market participants and other stakeholders to discuss issues and provide comments on EIM issues before the Governing Body and CAISO. The perspectives of these stakeholders are critical not only for the Governing Body, but also the BOSR in evaluating these issues.

Further, the EIM Governing Body should receive regular updates from the Department of Market Monitoring and the Market Surveillance Committee. The EIM Governing Body should ensure that all information relating to the EIM is posted on the CAISO EIM site, including FERC filings and orders related to the EIM. We suggest that the EIM Governing Body consider scheduling its meetings in conjunction or coordination with both the BOSR and the RIF in order to provide more efficient face-to-face communication and reduce overall travel budgets. The scheduling of EIM Governing Body meetings throughout the EIM footprint is an important step in promoting outreach and transparency. While we understand these meetings present an additional expense for the CAISO EIM, they are an important investment in both transparency and promoting the EIM. The Governing Body should continue the practice of conducting regular meetings in the EIM footprint past 2017 to allow easier access for stakeholders affected by the EIM.

The Charter of the EIM Governing Body specifies that the mission of the EIM Governing Body is to "promote, protect and expand the success of the EIM for the benefit of its participants as a whole". A best practice for pursuing this goal is for the EIM Governing Body to advocate for CAISO and EIM entities conducting the analysis necessary to assess the value and performance of the EIM. Such analysis should also meet the informational needs of those not participating in the EIM to allow them to make informed and rational least-cost decisions about participation in the EIM and the EIM structure. Such analysis, and underlying market data and assumptions, may need vetting and peer review to create transparency and trust, and allow entities in the EIM footprint or interacting with EIM entities to determine whether the EIM can deliver benefits to their ratepayers. While the CAISO produces a valuable report on the gross benefits of the EIM for all participating EIM Entities every quarter (Western EIM Benefits Report), we suggest that the EIM Governing Body establish a mechanism by which the UTC, other state commissions, and stakeholders can probe more deeply into the methodology, assumptions, and data held by CAISO that generates such a benefits study. Such a mechanism should be vetted with the BOSR and the RIF, and be transparent and dynamic in order to adapt to changing conditions, whether the changes are policy-oriented or market-oriented.

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**Q5: Given the policy outlook over the next 12-18 months, how can the EIM Governing Body be most effective?**

In recent CAISO presentations to the EIM Governing Body and the EIM BOSR, it is clear that the EIM Governing Body will have primary, hybrid and advisory roles in developing policies and tariff modifications affecting the EIM. In the short term, these issues include metering enhancements, greenhouse gas tracking and reporting, and external generation participation, or “intertie bidding”. In the longer term, this may include possible development of a regional grid, or Western ISO, by certain utilities going beyond the EIM to a full participation in the day-ahead market as a Participating Transmission Owner. While the mission of the EIM Governing Body is to “promote, protect and expand the success of the EIM for the benefit of its participants as a whole,” the EIM Governing Body should consider the comments of all stakeholders in making decisions on these issues. The EIM Governing Body should also have awareness of broader market and policy issues in order to assess any direct or indirect effects on the EIM market. The EIM Governing Body should evaluate how policy and tariff changes will impact the EIM, EIM entities, prospective EIM entities, and stakeholders affected by the EIM, including those entities at the seam of the EIM, and ratepayers in states in which EIM entities operate.

As discussed above, the process by which the EIM Governing Body considers these policy issues will determine its success. These processes include transparent communication and sharing of information about the EIM through timely market notices and its Web site, allowing sufficient time for all stakeholders to respond to potential issues, and fostering interaction with the participants in the RIF and the members of the BOSR. Through its initial actions, the EIM Governing Body has shown its commitment to the EIM, open, transparent processes, and outreach to all stakeholders. The UTC looks forward to continuing to work with the members of the EIM Governing Body as it begins to address more substantive issues.

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