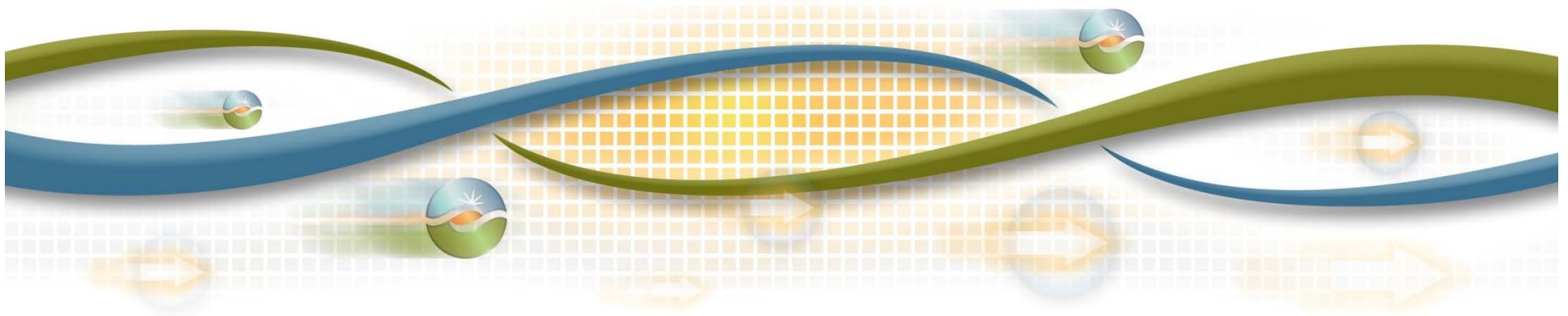




California ISO

Governance Straw Proposal: Summary of stakeholder comments

EIM Transitional Committee Meeting
General Session
April 30, 2015



Overview

- 21 sets of stakeholder comments were received on the Committee's Straw Proposal
- The Committee has reviewed those comments and grouped them into key categories for further consideration

Nominating Committee

- Substantial support for the structure of the nominating committee was received; however, the following issues were raised:
 - Add PMAs (either as separate sector or as part of the publicly-owned utilities sector)
 - Add a public interest representative and a state regulator to the voting members

Nominating Committee

- Separate PTOs from other load serving entities: one for transmission owners and another sector for load serving entities that do not own transmission assets
 - Would municipalities be included in this category or the publicly-owned utilities sector?
- Concern over the slate of candidates being proposed for approval or rejection as a whole slate (or “up or down” vote) may result in potential inefficiencies

Nominating Committee

- Other than PTO representatives, voting members should have direct participation in EIM or in both EIM and the ISO; participation in the ISO alone should not qualify for representation
- Ensure that only one representative from the publicly-owned utilities sector is a voting member and that the non-voting member is a state regulator and not a second representative from a publicly-owned utility

EIM Governing Body

- Requests for additional information on the qualifications and expertise of the EIM body members
- Costs of the EIM body and who is allocated those costs was a common issue raised
 - Concern that one ISO staff assigned to the EIM body was not sufficient to assist the EIM body in its performance of decisional and advisory roles
 - Concern that the same compensation for EIM and ISO Board members may not be appropriate

EIM Governing Body

- Will initial term lengths for the members be different in order to stagger the three-year terms?
- Should try to use consistent procedures and rules as between EIM body and ISO board
 - Open meeting policies, notice requirements, etc.

Changes to ISO Board

- A number of comments raised the issue of changing the way the current ISO Board is constituted
 - Suggestion that legislative changes may be warranted
 - Could the EIM body transition into a replacement for the ISO Board?
 - Would the EIM participants want to retain a separate EIM body if the ISO Board became more regionally focused?

Changes to ISO Board

- Additionally, the PacifiCorp – ISO announcement was raised by many commenters as a consideration for the Committee’s work
 - Take into consideration
 - Delay the Committee’s work
 - Remove a PTO joining as a trigger

Structure

- Powerex, Avista still support Option 3, seeking a fully autonomous governing body for EIM
- Public Power Council, Seattle City Light continue to support more autonomy and separation from the ISO board
 - Suggestions that may need to reevaluate the existing ISO governance structure sooner rather than later
- One commenter suggested that structure and market rules must take into account OATT world and ISO world without preference to the ISO world

Scope of Authority

- Strong support to delineate primary and secondary authority upfront; however, mixture of suggestions on how to determine this in the first instance
 - Stakeholder workshops
 - ISO Staff in first instance determines with input from EIM Entities
 - EIM body should determine which requirements are applicable to EIM
 - Committee to lead the scoping of rules
 - General consensus that it should not be left to EIM body and ISO Board to determine

Scope of Authority

- Need clear set of principles to guide the delineation
 - Eliminate competing FERC filings
 - Need for finality on how determinations are made

Scope of Authority (after initial determination)

- One commenter proposed adoption of a Type 1 (primary) and Type 2 (secondary) approval track for tariff changes
 - Future stakeholder initiatives should have ISO staff estimate which tariff section could be impacted by a market design change and thus which governance approval track should be followed

Primary v. Secondary Authority

- The following were suggested as possible ways to start the process of delineation between primary and secondary authority:
 - Would this rule exist without EIM?

Primary v. Secondary Authority

- One set of principles proposed:
 - Must be unique to EIM Entities and EIM participants
 - Must not impact real-time or day-ahead market, pricing, settlement, neutrality accounts, grid topology, and timeline of real-time market process
 - Same rules apply to ISO and EIM participants; unless there is a clear and justifiable reason for different treatment

Mechanism for Dispute Resolution

- Opposing comments were received on the appropriate threshold for ISO Board discussions on EIM items
 - Comments that a lower threshold should be used for allowing ISO Board discussions on EIM items to serve goals of efficiency and collaboration vs.
 - Comments that keeping this threshold is needed to preserve EIM body autonomy
 - One commenter suggested removing ISO board vote on rules that are unique to EIM to allow EIM body to implement absent ISO Board input

Mechanism for Dispute Resolution

- Support by most commenters for the Committee to adopt a dispute resolution process up front to address conflicts between the EIM body and the ISO Board, especially in the context of whether authority is primary or secondary

How to Document Authorities

- General consensus from the commenters on the documentation structure:
 - ISO's Bylaws in the first instance should provide overall general scope of primary/secondary authority being delegated
 - Some commenters suggested the principles and/or more details should be set forth in the ISO's Bylaws

How to Document Authorities

- EIM body's charter should contain more details on scope of primary/secondary authority
- Specific tariff provisions and ISO rules should be identified that will govern primary/secondary authority
 - Support for embodying the EIM body's primary authority in tariff provisions

Documentation

- Request to review specific changes to the ISO's Bylaws and EIM body's charter when available
 - Bylaws – only influenced by ISO Board?
 - Charter – EIM and ISO Boards influence?
- Mixed comments on limiting ISO Board's ability to change the ISO's Bylaws in a way that would impact EIM body
 - Durability weighed against autonomy and ability to change in response to evolving market conditions

Committee of Regulators

- General support for concept of Committee of Regulators
- Some commenters proposed the following:
 - Separate publicly-owned utilities from the state regulators
 - Include PMAs as part of publicly-owned utilities

Committee of Regulators

- Mixed support for including publicly-owned utilities CEOs or local board officials
 - To extent include publicly-owned utilities, costs should not be subsidized
- Public power association serve as the representative rather than the individual publicly-owned utilities

Committee of Regulators

- For state regulators, some commenters expressed need to allow a proxy representative for commissioners and provide for phone meetings to minimize travel time and expense
- At least one commenter suggested no need for a new committee; existing processes and stakeholder forums are sufficient; concern over creation of new costs

Triggers

- General support for re-evaluation after set interval of 5 years
- Proposal to review no less than every five years, but no more frequent than every two years
- Commenters suggested only objective triggers should be used

Triggers

- Number of commenters suggested limiting the number of triggers and use only ones that provide advance warning of triggering
- Many triggers are not needed because naturally will occur with certain circumstances
- Certainty and durability are at risk with the multiple triggers
- Proposal to include a trigger if legislative changes are proposed to ISO Board governance

Criteria for Evaluating Proposals

- Additions proposed:
 - Protect the integrity and reliability of current EIM Entities' operations
 - Ability to control the scope and mission of EIM
 - Ensure appropriate allocation of costs between ISO and EIM participants
- One commenter did not support market functionality expansion as a criterion; more details were also requested on this criterion

Criteria for Evaluating Proposals

- One commenter liked the more specific criteria originally proposed
 - Recommendation to keep the “Compliance with Legal Requirements and Committee Charter”
- One commenter suggested the criteria has an incorrect elevation of ISO market interests over external BAA interests

Criteria for Evaluating Proposals

- One commenter requested additional detail about increased cost transparency and how future conflicts over fiduciary duties between the ISO Board and the non-CA EIM market participants would be handled

Miscellaneous Comments

- Designate seats for non-governmental interests or some sort of support for broader stakeholder interests in the process; consider not all groups have funding to represent their interests
- Concern that no consideration was given for a member-based board and/or minority or out-of-state veto rights over potential tariff changes

Miscellaneous Comments

- Role of EIM body should not be cast in stone; needs to be able to change
- Items delegated to the EIM body need to be refined; do not duplicate functions in EIM body
 - e.g., DMM is appropriate market monitor

Miscellaneous Comments

- Concern over having duplicative stakeholder processes managed by EIM body and ISO Board; need clarity around the management of these processes
- Suggestion that there be an explicit recognition of comparable rights and treatment for EIM stakeholders in the ISO stakeholder process to ensure their inputs are accommodated in a manner consistent with other stakeholder participants

Miscellaneous Comments

- Mixed support for including publicly-owned utilities CEOs or local board officials
 - To extent include publicly-owned utilities, costs should not be subsidized
- Public power association serve as the representative rather than the individual publicly-owned utilities

Questions for Consideration

- Would EIM Entities benefit from a pro forma tariff to govern EIM operations?
- Are transmission tariffs primary obstacles to EIM market expansion?
- Are there transmission revenue “winners and losers”?

Questions

- What are the incentives for utilities whose transmission revenues are impacted?
- Should decisions be made solely on consideration of transmission revenues?
- Should generation savings be considered?

Questions

- What will be included on the agenda for the Committee of Regulators?
 - Can transmission revenue and generation savings impacts be considered?
 - Pancaked rates and exercise of monopoly rent sought by transmission owners
- What support from ISO staff will be required to support the Committee of Regulators?
- Would the Committee of Regulators submit formal opinions to the EIM body or ISO board similar to the MSC?

Questions

- Is there a list of sections of the tariff that are delegated to the EIM body?
 - What would be the process to establish this list?
 - Is the list approved by the ISO Board or EIM body or both?
 - Should there be a need to remove a section of the tariff from the delegation, what is the process and which board must give approval?

Questions

- What are the pros/cons of having a formal Members Committee that would provide an opportunity for EIM participants to have a formalized role in the governance framework?
- What impact does the PacifiCorp – ISO announcement have on the Committee's work and any ultimate proposal?
- Will the ISO still offer EIM?

Legal Issues

- Any delegation should be fully authorized by California law



Timeline

- Committee will consider whether additional time is needed before publishing the next version of the proposal to fully consider the comments and questions posed by stakeholders

