

Xcel Energy Comments on EIM Governance Proposal

Xcel Energy appreciates the Energy Imbalance Market (EIM) governance concept put forth by the CAISO. This proposal is a good first step to providing a separate governance structure for the EIM.

Xcel Energy's primary area of concern relates to the proposed sectors. As written, it appears that current CAISO participants, whether participating in the EIM or not, would control a majority of the proposed sectors. We recommend that the CAISO modify the sector structure that allows potential EIM participants, not CAISO participants, take the lead in the governance design. The majority of sectors should have potential EIM participants, not just those who have participated in the CAISO market over the last four years. If CAISO participants desire involvement in this effort, Xcel Energy supports their inclusion. However, we do not want the resulting governance structure to give the CAISO market participants a second venue to address market issues within the CAISO. The EIM governance structure is only to address market processes for the EIM footprint. Therefore, the sectors proposed for the EIM governance development should weigh more heavily toward EIM participants, not CAISO participants. We recommend that the CAISO modify the sectors proposed to the following:

- EIM Investor Owned Utilities
- EIM Publicly Owned Utilities
- EIM Generators and Marketers
- EIM Alternative Energy Providers
- CAISO Participants
- Government Agencies and Public Interest Entities

To participate in one of the EIM sectors, an entity should have operations outside of the CAISO footprint and actively engaged stakeholders in the EIM development. Those entities that qualify for more than one sector, such as an IPP that owns generation both inside and outside of the CAISO, would choose which sector, EIM Generators and Marketers or CAISO Participants, it joins. Other CAISO participants, such as the CAISO Transmission Owners, would be in the CAISO Participants sector. Alternatively, remove

any distinction between EIM and CAISO participants and populate the sectors based on the entity types only, not their market participation.

A participant at the Portland meeting suggested that the Government Agencies and Public Interest Entities should be in two separate sectors. Xcel Energy does not take a position on this issue. However, to the extent that an even number of sectors moves forward, the process must include a process to address a tie vote.

We also believe that the sectors should nominate the potential members of the Transitional Committee and have the CAISO Board of Governors appoint the committee from those nominated. While this is an advisory committee to the CAISO Board of Trustees, the process will develop an independent governance structure and therefore Xcel Energy desires that the membership have more of a say in the Transitional Committee makeup.

Xcel Energy agrees with the intent to have the ultimate governing body made up of independent members with no significant ties to EIM or CAISO participants. We also agree that the Transitional Committee should be populated with a diverse group representing potential EIM participants. Diversity is more likely to support CAISO's stated desire to allow new participants in the future.

Finally, the governance document needs more detail related to the process used by sectors to nominate (elect) the Transitional Committee. We understand that the Transitional Committee will draft a charter and the voting structure will be addressed in that charter. However, there must be a clear voting process for the sectors to use for the initial nomination process.

Xcel Energy appreciates the efforts of the CAISO staff in this endeavor and looks forward to the issuance of a revised governance document addressing these concerns.