



Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel

Date: March 20, 2019

Re: **Decision on Proposed Revisions to Decisional Classification Rules**

This memorandum requires Board action.

EXECUTIVE SUMMARY

Management proposes revisions to enhance and thus incrementally expand the Energy Imbalance Market Governing Body's current "primary authority" role for approving changes to market rules. These changes will be reflected in the decisional classification rules set forth in two governance documents for the Western EIM: the *Charter for Energy Imbalance Market Governance* ("Charter") and the *Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body* ("Guidance Document"). The proposed revisions give the EIM Governing Body primary authority over proposed changes to generally applicable real-time market rules when the primary driver for the change is EIM.

The proposal has been posted for stakeholder review and comment. It is supported by most stakeholders. At its March 12, 2019 meeting, the EIM Governing Body voted unanimously to provide written advisory input to the Board supporting the proposal. Copies of the revised documents are attached for reference as attachments A and B.

Management proposes the following motion:

Moved, that the ISO Board of Governors approves the proposed revisions to the Charter for Energy Imbalance Governance and the Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body, as described in and attached to the memorandum dated March 20, 2019.

BACKGROUND

When the EIM Governing Body was established, the ISO Board of Governors delegated primary authority to the Governing Body for approving or rejecting any proposed changes to market rules embodied in the tariff that are EIM-specific. This authority includes rules that either apply uniquely to EIM balancing authority areas or apply differently to EIM balancing authority areas than to other areas within the ISO's real-time market. The Board also vested the EIM Governing Body with advisory authority over any proposed changes to generally applicable real-time market rules and to other generally applicable rules embodied in the tariff that apply to participation in the ISO market. This delegation is embodied in a set of decisional classification rules that are set forth in the Charter and further discussed in the Guidance Document.

Section 2.2.4 of the Charter directs the EIM Governing Body to initiate, by no later than September 2020, a review of EIM governance in light of accumulated experience and changed circumstances. Towards the end of 2018, the EIM Governing Body decided that in light of the rapid growth of the EIM since its inception, it was timely to commence the EIM governance review contemplated in the Charter. In December 2018, at the request of the EIM Governing Body, ISO staff published a straw proposal and issue paper to commence the review.

As discussed below, the December 2018 paper proposed an incremental expansion of the EIM Governing Body's primary authority for approving market rules. The paper also identified a broad array of issues that potentially could be included in the EIM governance review and sought stakeholder comment on which issues should be addressed and on the process and timing for the broader review. Based on positive stakeholder input on the straw proposal, ISO staff issued a draft final proposal on February 11 and provided stakeholders with an additional opportunity to comment on the proposed revisions.

PROPOSED REVISIONS

Under the current decisional classification rules a proposal to establish or revise a generally applicable real-time market rule falls within the EIM Governing Body's advisory authority. Management proposes to modify this rule so that a subset of such proposals would fall within the EIM Governing Body's primary authority. Specifically, Management recommends vesting the EIM Governing Body with primary authority over any proposal to establish or revise a generally applicable real-time market rule where the primary driver for the proposal is an issue specific to the EIM balancing authority areas. Changes to generally applicable real-time market rules that do not meet this primary driver test would remain within the EIM Governing Body's advisory authority.

Management proposes this change to ensure that the governing authority with the greater substantive interest in the proposal plays the lead role in deciding whether to approve a filing with the Federal Energy Regulatory Commission to implement the rule

change. Where EIM is the primary driver for a change to a generally applicable real-time market rule, it is reasonable to assume that the EIM Governing Body is the governing body with the greater interest in deciding whether the proposal should go forward. As with all other matters within the EIM Governing Body's primary authority, the proposal would still need to go to the Board for approval using the streamlined consent agenda process applicable to such items. The Board would retain the authority to remove an item from the consent agenda and consider it through its standard process if a majority of the Board votes to do so.

The necessary revisions to the Charter and the Guidance Document are attached to this memo as attachments A and B, respectively.

STAKEHOLDER POSITIONS AND EIM GOVERNING BODY SUPPORT

There is substantial stakeholder support for this proposal. Stakeholders had two opportunities to comment on the proposal, in response to the December 14 and February 11 papers. The stakeholders that voiced support included utilities both within California and throughout the current and prospective EIM balancing authority areas, including investor-owned and publicly-owned utilities, customer groups, and a major federal power marketing administration (Bonneville Power Administration). The proposal also received support from various public interest groups and from the Western EIM Body of State Regulators. Although no stakeholder stated opposition to the proposal, two California investor-owned utilities emphasized the importance of the Board's continued role in matters that are within the EIM Governing Body's primary authority, including the Board's ability to remove a matter from the consent agenda and provide full consideration where necessary. As noted, the Board will retain this authority for all matters within the EIM Governing Body's primary authority, including any matters that would fall within their authority as a result of this change.

Stakeholders did not propose any substantive changes to the proposal, nor did they recommend any changes to the specific revisions to the EIM governance documents attached to this memorandum.

Presented with this background and the proposed revisions during its March 12, 2019 meeting, the EIM Governing Body voted unanimously to provide written advisory input to the Board supporting Management's proposal.

CONCLUSION

Management believes this proposal would be a valuable enhancement to the current decisional classification rules and requests that the Board approve the proposed revisions.