



# **Annual Policy Initiatives Roadmap Process Draft Final Proposal**

August 22, 2017

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## 1 Introduction

At the end of the last year's process to develop the *2017 Policy Initiatives Roadmap*, the CAISO committed to reviewing stakeholders' recommendations for changing the way it revises the *Policy Initiatives Catalog* and develops each annual policy roadmap. Based on stakeholder input, the CAISO proposes several changes to its catalog and roadmap process:

- Update the *Policy Initiatives Catalog* twice a year rather than once a year.
- Eliminate the numerical ranking process for discretionary initiatives.
- Provide a policy three-year market vision roadmap.

These changes are described in more detail below.

The *Policy Initiatives Catalog* was created so the CAISO, with stakeholder input, could document current, planned, and potential initiatives to develop enhancements to the CAISO market, infrastructure, and planning policy. It creates a single, comprehensive directory of ongoing and potential policy initiatives organized in varying categories for ease of reference. It does not list process improvements or administrative changes. The catalog lists initiatives that require a stakeholder process, typically resulting in tariff changes. The catalog's categories and classifications have evolved over the years with the creation of the Energy Imbalance Market (EIM). The CAISO has in the past updated the catalog once a year. This process consisted of:

- 1) Updating the status of the initiatives listed;
- 2) Identifying, by either the CAISO staff, FERC, or stakeholders new proposed initiatives and deleting any listed initiatives that were no longer relevant or were otherwise obsolete;
- 3) Classifying each listed initiative as I (in-progress), F (FERC-mandated), N (Non-discretionary), D (Discretionary initiatives); and
- 4) Classifying each listed initiative that affects the Energy Imbalance Market as E1 (EIM Governing Body's primary authority), E2 (EIM Governing Body's advisory role), E3 (Governing Body's hybrid- primary authority), or E4 (EIM Governing Body's hybrid-advisory role).<sup>1</sup>

The *Policy Initiatives Catalog* is used to develop the *Policy Initiatives Roadmap*, which lays out the policy initiatives the CAISO will undertake each year.

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<sup>1</sup> The process of updating and completing the catalog typically takes about two months. It involves publishing a *Draft Stakeholder Initiatives Catalog*, a stakeholder call about the draft, M&IP review and revision of the Catalog based on stakeholder comments, and publishing a *Revised or Final Stakeholder Initiatives Catalog*.

In the past, the CAISO ranked each discretionary initiative using numerical scores that reflect overall benefit and feasibility. The CAISO would subsequently revise this initial ranking based on stakeholder feedback. This ranking process consisted of:

1. Ranking of discretionary initiatives for consideration in the development of the policy initiatives roadmap;
2. Review stakeholder input of the rankings of discretionary initiatives and revising initiatives as necessary;
3. Finalizing the ranked discretionary initiatives; and
4. Publishing the *Final Policy Initiatives Roadmap*.

The ranking consisted of the CAISO first independently conducting a high level assessment of proposed policy initiatives. The CAISO applied a simplified ranking process of three benefit and two feasibility criteria.<sup>2</sup> After the CAISO reviewed stakeholders' comments, the initiatives' rankings were potentially revised. Based on the new rankings, the information was then used to determine which policy initiatives would be a part of the *Policy Initiatives Roadmap*.<sup>3</sup>

During the 2017 roadmap process, stakeholders expressed concerns the practice of ranking every discretionary initiative was time-consuming, subjective, and ineffective. They also noted there was a lack of explanation and transparency in producing the final roadmap by the CAISO and requested this practice be changed. Specific Stakeholder positions are discussed in Sections 2.1.1 and 2.2.1.

At the end of the 2017 Roadmap process, the CAISO committed to reviewing stakeholders' recommendations and revising the current process for the subsequent year.

## 1.1 Changes from Straw Proposal

The following changes have been made since the straw proposal was published on July 18, 2017:

1. Revised 2.1 Policy Initiatives Catalog
2. Revised 2.1.1 Stakeholder Comments
3. Revised 2.2 Annual Policy Initiatives Roadmap
4. Revised 2.2.1 Stakeholder Comments
5. Revised 3 Next Steps
6. Revised 4.1 Proposed California ISO Policy Initiatives Catalog Submission Form

## 2 Proposal

This section describes the ISO's proposal to revise the catalog and annual policy initiative roadmap process.

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<sup>2</sup> For a more detailed description of the ranking criteria, see the 2017 Policy Initiatives Roadmap found at: [http://www.caiso.com/Documents/Final\\_2017PolicyInitiativesRoadmap.pdf](http://www.caiso.com/Documents/Final_2017PolicyInitiativesRoadmap.pdf)

<sup>3</sup> The process of developing the roadmap typically takes about three and a half months. It involves publishing a *Draft Policy Initiatives Roadmap*, a stakeholder call about the draft, M&IP review and revision of the roadmap based on stakeholder comments, and publishing a *Revised or Final Policy Initiatives Roadmap*.

## 2.1 Policy Initiatives Catalog

The *Policy Initiatives Catalog* will continue to document current, planned, and potential policy initiatives to develop enhancements to the California ISO markets, infrastructure and planning policy. It will not list process improvements or administrative changes.<sup>4</sup> The *Policy Initiatives Catalog* is a separate document used as a part of the development process for the Annual Policy Initiatives Roadmap. The policy initiatives used in the roadmap can be traced back to the catalog.

The catalog categorizations codes have been changed to I (in-progress), F (FERC-mandated), C (Committed), and D (Discretionary initiatives). The highest priority are in-progress initiatives. The next highest priority are FERC mandated initiatives the ISO must complete to comply with FERC orders. The third highest priority consists of ISO committed initiatives, which the ISO tries to use sparingly, consists of initiatives that have been committed to during a regulatory proceeding or previously committed to stakeholders by the ISO Board, ISO EIM Governing Body, or FERC for the upcoming year. The final designation is a discretionary initiative, which may be prioritized by the ISO, with stakeholder input, considering design or policy changes to reliability or economic benefits balanced against implementation feasibility and timelines. The EIM Governing Body classifications (E1, E2, E3, and E4) used for each initiative will remain the same.<sup>5</sup>

The catalog will be divided into the following categories:

- ❖ Stakeholder Policy Initiatives Catalog Submissions
  - Submissions Incorporated
  - Submissions Precluded
- ❖ Initiatives Completed Since Previous Catalog
- ❖ Initiatives Currently Underway and Planned
- ❖ Discretionary Initiatives
  - Energy and Ancillary Services Markets
  - Congestion Revenue Rights
  - Resource Adequacy
- ❖ Interconnection
- ❖ Proposed Deletions
- ❖ Deleted Initiatives

The CAISO and stakeholders will be able to submit new initiative requests through a template provided by the CAISO to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com) during any time of the year. This template will be posted on the Annual Policy Initiatives Roadmap website<sup>6</sup>. The CAISO will post all submission forms on its website. The submission form should also be used by stakeholders to provide comments on the “Proposed Deletions” section of the Catalog. The Catalog will be published twice a year, during the months of February and August. Submissions for the catalog will be collected and considered up until the first Tuesday of January and July. After the first Tuesday of January and July, the ISO will send a market notice asking market participants to review the posted submissions and provide comments. After the comment period, the ISO will

<sup>4</sup> Such requests should be made through a Customer Service Representative or Account Manager

<sup>5</sup> For a detailed explanation of the EIM Governing Body classifications, please see Section 2.2 in the *Charter for Energy Imbalance Market Governance* found at: <http://www.caiso.com/Documents/CharterforEnergyImbalanceMarketGovernance.pdf>

<sup>6</sup> An example of the template is located as 4.1 Proposed California ISO Policy Initiatives Catalog Submission Form

then publish the final catalog. The final catalog will include a section that identifies which submissions were included and precluded. If an initiative was precluded from the catalog, the CAISO will provide a detailed explanation.

CAISO will extend the August 2017 catalog timeline to give stakeholders the opportunity to become acquainted with the new submission template and process. The catalog revision timeline will remain unchanged for February 2018.

### 2.1.1 Stakeholder Comments

CAISO understood from stakeholder comments that the revised process proposal is generally supported. Stakeholder support, however, was contingent upon a deadline for submissions and a stakeholder comment period being added to the proposal. The CAISO agreed with stakeholders that it would be burdensome to continuously check the CAISO's website for new catalog submissions. The CAISO understands stakeholders are often following several initiatives and the CAISO did not want to add to their workload. Additionally, collecting and reviewing submissions at one time is a more efficient process practice. The CAISO is committed to giving stakeholders the opportunity to provide comments during this process so they can be considered during the development of the policy's annual roadmap.

In addition, CAISO recognized its current classifications found in the catalog needed to be updated to more clearly distinguish differences between initiatives. Six Cities specifically asked for a better distinction between the previous "non-discretionary" classification and "discretionary" initiatives. In response, the non discretionary classification has been eliminated and a new classification, "committed", has been added. The "committed" classification provides better context to the importance of any initiative that is given this classification as it was committed to during a regulatory proceeding, EIM Governing Body or Board of Governors meeting.

The above enhancements are targeted at addressing stakeholder concerns raised regarding the straw proposal. The enhancements provide more opportunities for stakeholders to provide input on potential modifications to the CAISO markets and infrastructure for documentation in the catalog throughout the year. In addition, posting both the CAISO and stakeholders' requests on the initiative's website will help provide origin, context and transparency when the draft annual roadmap is published.<sup>7</sup>

## 2.2 Annual Policy Initiatives Roadmap

The "Annual Policy Initiatives Roadmap" will continue to identify, from the Catalog, the policy initiatives the CAISO will undertake for the following year and their approximate time frames.

Following the revision of the Catalog in August, CAISO will publish a *Draft Annual Policy Initiatives Roadmap* during the month of September. This draft will **not** include a ranking of the discretionary initiatives. The annual plan will instead include the proposed plan for the following year that also

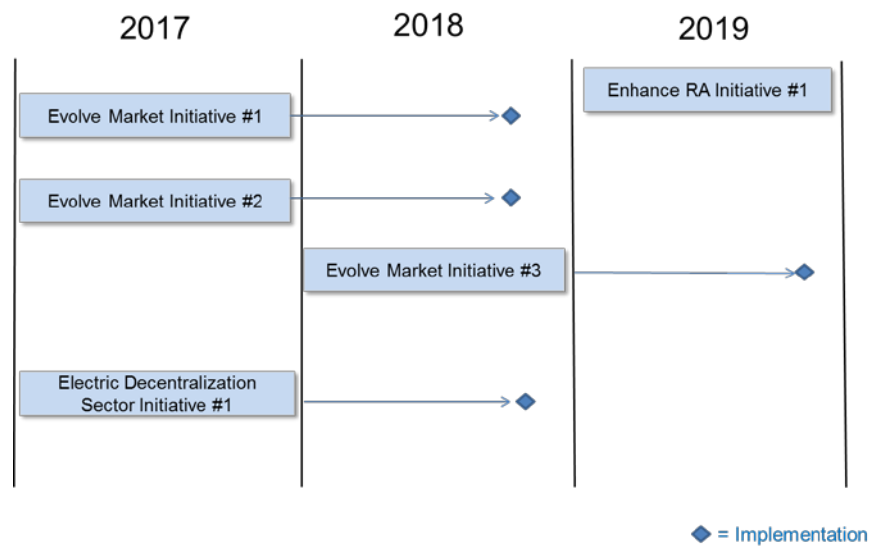
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<sup>7</sup> Initiatives in the catalog with the codes of "F" and "N" automatically become a part of the annual roadmap. For more information see Section 2 in the *Final 2017 Stakeholder Initiative Catalog* found at: [http://www.caiso.com/Documents/Final\\_2017StakeholderInitiativesCatalog.pdf](http://www.caiso.com/Documents/Final_2017StakeholderInitiativesCatalog.pdf)

includes an explanation of the CAISO's rationale for undertaking each initiative. This would include CAISO's cost/benefit analysis and implementation considerations.

In addition to the one year plan, the CAISO will also include a high-level three-year market vision roadmap as illustrated by **Figure 1**. The CAISO believes sharing a longer term planning horizon with stakeholders will ensure that planned policy development is done more effectively. It will also help stakeholders and the ISO come to a consensus on priorities over the next few years. The longer term planning horizon enables the CAISO to consider the dependencies and interrelationship of potential policy initiatives. It enables the CAISO to consider potential implementation considerations such as synergies in making system changes and potential impacts on market participants. For example, if the CAISO prioritized two real-time market initiatives and two day-ahead market initiatives, from the market participant's perspective and taking into consideration implementation challenges, it is more efficient to align the real-time and day-ahead changes into separate implementation release schedules. A longer term planning horizon enables the CAISO and market participants to identify these efficiencies and incorporate them into the CAISO's policy development and implementation plans.

**Figure 1: Example of the three-year market vision roadmap**

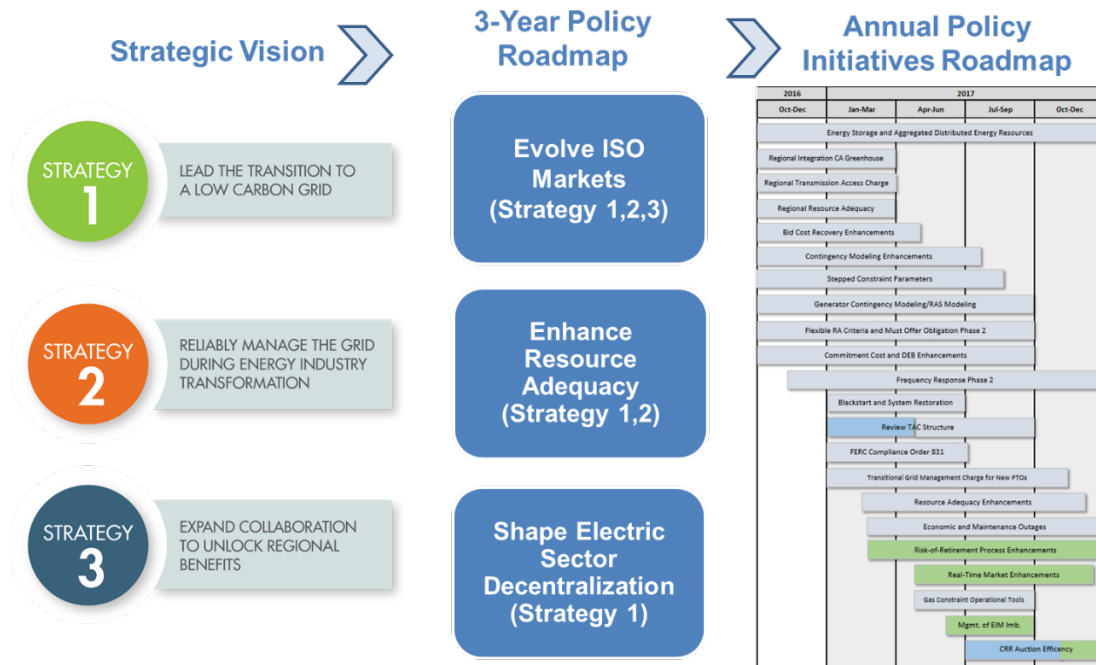


The three year roadmap links the ISO's strategic vision as to how its market's needs to evolve to the detailed roadmap developed for every year.<sup>8</sup> **Figure 2** illustrates the planning process the CAISO will use to develop the annual roadmap. The initiatives selected for the *Annual Policy Initiatives Roadmap* will be linked to the strategic vision goals as well as the policy priorities found in the three-year vision. The development of the roadmap and annual plan takes into

<sup>8</sup> The vision will be updated every year as operational challenges and market issues are identified by CAISO management.

consideration not only stakeholder comments provided in this process, but also input or discussions from the Regional Issues Forum, EIM Governing Body, and the Board of Governors.

**Figure 2: Linkage strategic vision and policy initiative’s roadmap**



Stakeholders will be asked to provide their feedback on the draft roadmap after the draft roadmap is published. After stakeholder comments are received, the ISO will review any comments and make any changes, if necessary, to the roadmap. If changes are needed, the CAISO will publish a *Revised Annual Policy Initiatives Roadmap*<sup>9</sup>. If a revised draft is published, stakeholder will be asked to provide their feedback on the revised draft. The ISO will review any comments and make any changes, if necessary, to the roadmap.

The final three-year market vision roadmap and annual plan will be published in late November or early December and will include stakeholder comment summaries. The final roadmap takes into consideration not only stakeholder comments provided in this process, but also input or discussions from the Regional Issues Forum, EIM Governing Body, and the Board of Governors meetings that occur throughout the year.

After the final roadmap is published, the Market and Infrastructure Policy Director will provide a briefing of the *Final Annual Initiatives Policy Roadmap* to the EIM Governing Body (EIM GB) and Board of Governors (BOG) during their December meetings<sup>10</sup>. The roadmap is briefed to the EIM Governing Body and Board of Governors because CAISO management is responsible for overseeing the business operations of the organization. The Board of Governors selects and confirms the CAISO officers for this purpose. The EIM Governing Body does not have authority

<sup>9</sup> The process of developing the roadmap will take three months. It involves publishing a Draft Annual Policy Initiatives Roadmap, a stakeholder call about the draft, M&IP review and revision of the roadmap based on stakeholder comments, and publishing a Revised or Final Policy Initiatives Roadmap.

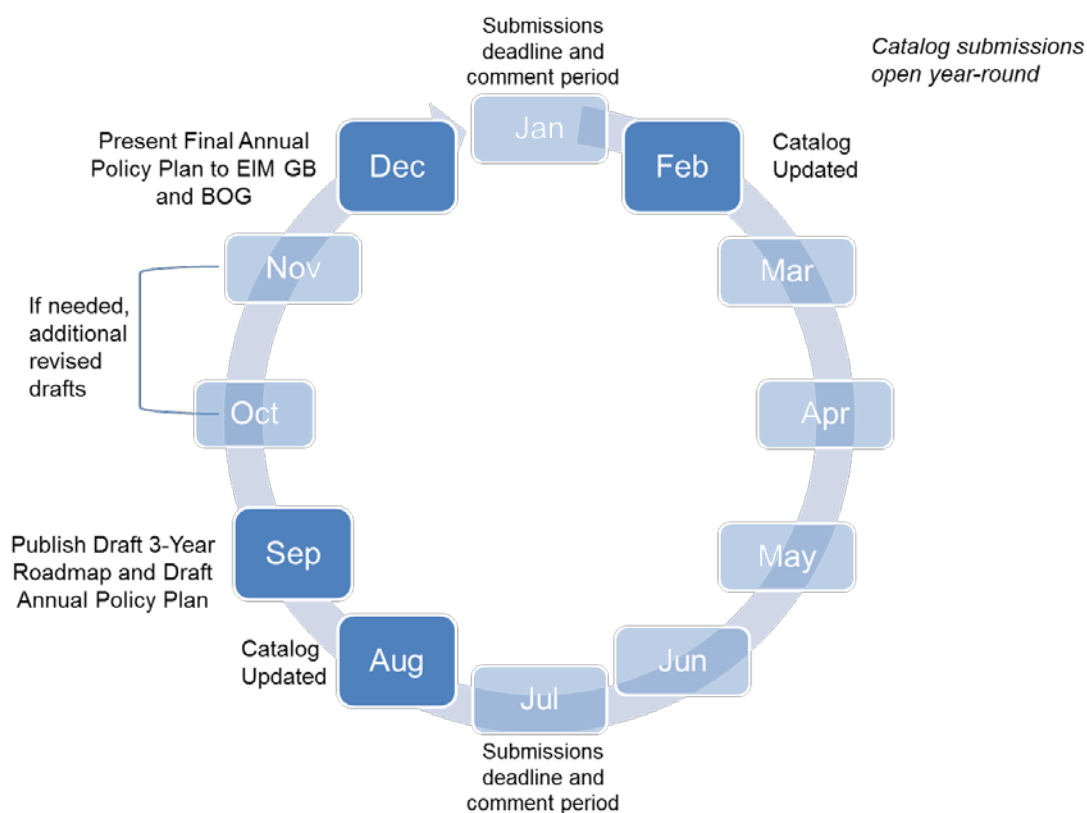
<sup>10</sup> Or during their last scheduled meeting before the year concludes.



from the Board of Governors to make CAISO operating decisions. However, their input is taken into consideration during the development and finalization of the roadmap and annual plan.

CAISO will extend the September 2017 roadmap timeline to give stakeholders the opportunity to become acquainted with the new roadmap process. The roadmap timeline will remain unchanged for 2018. The timeline for the process described in this paper is illustrated in **Figure 3**.

**Figure 3: Annual Policy Roadmap process timeline**



### 2.2.1 Stakeholder Comments

CAISO understood from stakeholder comments that the revised process proposal was broadly supported. Stakeholders appreciated the CAISO's transparency and providing a plan for the next three years. Pacific Gas & Electric (PG&E) explained that the details the CAISO will provide in the roadmap were extremely important *"for understanding the level of resources needed to support various initiatives, not just from CAISO staff, but for PG&E internally."* California Municipal Utilities Association (CMUA) expressed their appreciation of the three-year roadmap as it will give stakeholders *"more time for education and preparation on certain issues, and should lead to better decision-making"* for the annual plan. Given the broad support from stakeholders, the ISO did not make any changes to its proposal.

CAISO also understood from stakeholder comments the need for clarification on how stakeholder input will be used in prioritizing initiatives for the annual plan. The CAISO's prioritization process will not change despite that the formal numerical ranking process has been removed. The discussion around **Figure 1** above refers to this process. First, initiatives are prioritized based on its categorization as described above. In progress, FERC mandated, and ISO committed

initiatives take first priority in developing the annual plan. The ISO will then prioritize a number of discretionary initiatives, based on workload. CAISO conducts a cost/benefit analysis and implementation considerations. Then, the CAISO examines discussions from the Regional Issues Forum, EIM Governing Body and Board of Governors meetings. Stakeholder comments are used to help clarify or justify the ISO's reasoning for undertaking or not undertaking an initiative.

Public Generating Pool (PGP) clarified their previous comments and again requested the Roadmap to be updated more frequently in the year, not just the Catalog. The CAISO provides updates to its roadmap and initiative's time frames during the Market Performance and Planning Forum (MPPF) that occurs bi-monthly. Additionally, a policy briefing which includes the same information is given at the EIM Governing Body meetings and the CAISO maintains an Initiative Milestone document that provides the latest information on current initiatives. The development of the roadmap and annual plan take several months to draft. Aside from time limitations, CAISO and stakeholders do not have the bandwidth to undergo such a task. Often there are several initiatives running in parallel and that also have conflicting deadlines for stakeholders. Over the past couple of years, stakeholders have expressed how difficult it is to participate in every initiative they have a vested interest in. It is because of these reasons the CAISO cannot update the Roadmap more than once a year.

Financial Marketers Coalition, Western Power Trading Forum (WPTF), and XO Energy did not fully support the new process proposal because it did not include a mechanism to replace the ranking process. WPTF explained that the ranking process was "for stakeholders to communicate which issues are of top priority other than submitting comments". The CAISO disagrees and maintains the formal numerical ranking process was a diversion from its intended purpose and was often used as a vehicle for voting. A stakeholder voting structure does not exist in CAISO and initiatives should be considered for the plan based on merit. Stakeholders have the same opportunity to participate and express how important an initiative is and why it should be undertaken by the CAISO in the new process. CAISO has always carefully considered stakeholder input while finalizing the annual plan and will continue to do so. In addition, the CAISO is now able to address stakeholders' desire for more details on an initiative's expected benefits, assessment of benefits, and rationale for the annual roadmap. The ranking process was time-consuming and the amount of resources needed to provide this level of detail for each discretionary was infeasible.

WPTF and XO Energy also expressed concerns that the revised process proposal was providing less transparency for stakeholders than before. The CAISO strongly disagrees with this assertion. The three year market vision and annual plan are planning mechanisms the CAISO uses to demonstrate three to four years of transparency to stakeholders. It also, illustrates how the company's strategic vision is coordinated and incorporated in the roadmap and annual plan. Stakeholders now become a part of the CAISO's planning process three-years in advance and have the opportunity to provide comments on any market or infrastructure need the CAISO may have not taken into consideration.

The CAISO believes this added level of information to the roadmap process will provide more meaningful and forward thinking conversations with all stakeholders, while also incorporating a "big picture" of implementation schedules.

### 3 Next Steps

**Table 1** outlines the proposed schedule to complete the process changes for the Catalog and Roadmap.

**Table 1: Stakeholder Process Schedule**

Stakeholder Process Schedule	
Date	Milestones
<i>Jul 18</i>	<i>Post Annual Policy Initiatives Roadmap Process Straw Proposal</i>
<i>July 25</i>	<i>Stakeholder call on Straw Proposal</i>
<i>Aug 8</i>	<i>Stakeholder written comments due on Straw Proposal</i>
<i>Aug 22</i>	<i>Post Annual Policy Initiatives Roadmap Process Draft Final Proposal</i>
<i>Aug 28</i>	<i>Stakeholder call on Draft Final Proposal</i>
<i>Sep 5</i>	<i>Stakeholder written comments due on Draft Final Proposal</i>
<i>Sep 6</i>	<i>Stakeholders begin submitting submissions for the Policy Initiatives Catalog</i>
<i>Sep 15</i>	<i>Deadline for Policy Initiatives Catalog submissions</i>
<i>Sep 18 - 27</i>	<i>Stakeholder review and comment period on submissions</i>
<i>October 2017</i>	<i>Post Policy Initiatives Catalog and Draft Annual Policy Initiatives Roadmap</i>

The ISO plans to discuss this draft final proposal with stakeholders during a stakeholder call to be held on August 28, 2017.

Stakeholders should submit their comments to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com) by the close of business on September 4, 2017.

## 4 Appendix

### 4.1 Proposed California ISO Policy Initiatives Catalog Submission Form

 <b>California ISO</b>	<b>Market and Infrastructure Policy</b>	<b>Template Version:</b>	<b>1</b>
		<b>Document Version:</b>	<b>0</b>
<b>Policy Initiatives Catalog Submission Form</b>		<b>Date Created:</b>	<b>6/1/2017</b>

California ISO Policy Initiatives Catalog Submission Form			
This purpose of this form is to propose potential policy initiatives that require a stakeholder process and typically require tariff changes. Do not use this form to request or propose process improvements or administrative changes. Such requests should be made through your Customer Service Representative or Account Manager.			
<b>Date: 8/21/2017</b>			
Submitter Information			
Organization	Contact Name	E-mail	Phone
<b>Please provide a title for the issue.</b>			
_____			
<b>Please provide a summary description of the issue (i.e. 500 words)</b>			
_____			
<b>Please provide any data/information available that would characterize the importance or magnitude of the issue.</b>			
_____			

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