



EDF Comments on CAISO's 2017 Policy Initiatives Roadmap January 9, 2016

Environmental Defense Fund (EDF) appreciates the opportunity to comment on the California ISO's (CAISO) 2017 Policy Initiatives Roadmap and to propose enhancements to CAISO's upcoming 2018 Stakeholder Initiatives Catalog and Policy Initiatives Roadmap process.

1. Enhancements to 2018 Stakeholder Initiatives Roadmap Process

a) Providing Stakeholders Visibility into CAISO's Initiative Ranking Process

In an earlier set of comments¹, EDF recommended the addition of a new criterion, assessing the effectiveness of a given stakeholder initiative in advancing renewables integration, to CAISO's stakeholder initiative prioritization framework. This is consistent with CAISO's 2014-2016 Strategic Vision Plan which provides that advancing the integration of renewables on the grid to facilitate the transition to a lower carbon economy is a key strategy.² On a stakeholder call held on December 22, 2016 as part of the 2017 stakeholder initiatives ranking process, CAISO staff noted that an assessment of the extent to which a proposed initiative advances renewables integration is encapsulated within the "improving overall market efficiency" criterion - one of the metrics currently used by CAISO to rank proposed initiatives.

The current format and design of the stakeholder initiatives catalog process provides stakeholders no visibility into CAISO staff's thinking in assessing and ranking proposed initiatives using various metrics. As in previous years, the 2017 Policy Initiatives Roadmap simply scores each proposed discretionary initiative against various criteria, without providing any explanation as to how CAISO arrived at those scores or the factors (e.g. advancement of renewable integration) considered in the process. As a result of this information asymmetry, stakeholders are not in a position to assess whether CAISO has properly evaluated and scored initiatives against various criteria.

This underscores the need for CAISO to provide explanations supporting scores assigned by it to a given stakeholder initiative against each ranking criterion, as pointed out by EDF in its previous

¹ Environmental Defense Fund, Comments on Revised Draft 2017 Stakeholder Initiatives Catalog, November 17, 2016, at p. 1.

² CAISO, Building a Sustainable Energy Future, 2014-2016 Strategic Plan at 6-7, available at <http://www.caiso.com/Documents/2014-2016StrategicPlan-ReaderFriendlyreader-friendly.pdf> ("Increasing the amount of renewable generation on the grid and advancing programs to incentivize demand response and energy efficiency will bring the state closer to its environmental policy goals. This transition to a greener grid also presents new challenges. [...] Over the next three years the ISO will [...] lead the transition to a smarter, cleaner, more reliable and secure energy future.")

comments.³ This will allow stakeholders to better understand CAISO's thinking and the rationale underpinning its ranking of proposed stakeholder initiatives.

b) Opportunity for Dialogue with CAISO Staff

Stakeholders have previously noted the futility of exchanging several rounds of comments on a wide range of proposed initiatives in a manner that does not allow a genuine opportunity to influence CAISO's priorities for the upcoming year.⁴ For stakeholders to have a meaningful voice, the process must not only afford them the opportunity to offer written comments, but also to hear CAISO staff's responses to their perspectives and for dialogue with staff members (e.g. through a day-long planning session attended by stakeholders, CAISO staff, the CAISO Board and senior management, as suggested by other stakeholders⁵).

EDF appreciates CAISO's attempt to capture and respond to stakeholder comments in the 2017 Draft Stakeholder Initiatives Catalog Comments Matrix.⁶ However, this matrix did not satisfactorily respond to stakeholder inputs. For instance, it provided no explanation for CAISO's rejection of EDF's recommendation to include a 3 year forward looking market reliability assessment as part of the 2017 Policy Initiatives Roadmap.⁷ Therefore, it remains unclear whether CAISO fully considered all of EDF's core recommendations proposed as part of the stakeholder initiatives ranking process. We appreciate that it is not feasible for CAISO to respond in writing to each stakeholder comment. However, it is critically important that CAISO evolve a more transparent mechanism for stakeholder engagement that promotes dialogue, affords stakeholders a genuine opportunity to hear CAISO's perspectives on their recommendations and to understand the rationale underpinning CAISO's ranking of proposed stakeholder initiatives.

EDF encourages CAISO to consider these process enhancements as well as those suggested by other stakeholders in the course of this year, in advance of the launch of the 2018 stakeholder initiatives ranking process, so that a more effective stakeholder engagement process can be designed and implemented in 2018.

2) 2017 Policy Initiatives Roadmap

EDF finds the 2017 Policy Initiatives Roadmap to be deficient, not only because it does not incorporate a number of initiatives proposed by EDF and other stakeholders that are likely to carry significant benefits in terms of improving grid reliability and overall market efficiency (e.g.

³ Environmental Defense Fund, Comments on Revised Draft 2017 Stakeholder Initiatives Catalog, November 17, 2016, at p. 1.

⁴ NRG Energy, Inc. Comments on Revised 2015 Stakeholder Initiatives Catalog, December 5, 2014, at page 4: "Exchanging comments on dozens of initiatives via paper over the course of a few months to develop a plan that does not meaningfully shape the CAISO's priorities is not an effective or even worthwhile process."

⁵ NRG Energy, Inc. Comments on Revised 2015 Stakeholder Initiatives Catalog, December 5, 2014, at page 4: "If the CAISO intends for its market participants to affect the CAISO's priorities, the CAISO should instead seek a different process. Perhaps that process could be an annual all-day planning session with the CAISO Board, CAISO senior management, and market participants. The CAISO and market participants could come to that session armed with their "wish lists" of initiatives, but the CAISO could also come prepared to articulate to its Board and to market participants its real ability to engage on additional matters."

⁶ Last updated on November 4, 2016.

⁷ Environmental Defense Fund, Comments on CAISO's Draft 2017 Stakeholder Initiatives Catalog, September 29, 2016.

stakeholder initiatives on extended pricing mechanism, energy and ancillary service price formation assessment, proposed three year forward looking market reliability assessment⁸), but also because, as discussed above, it is unclear whether CAISO fully considered all of these recommendations in arriving at its final stakeholder initiatives ranking.

Thank you for considering these comments. Please feel free to reach out with any questions or comments.

Sincerely,

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⁸ See Environmental Defense Fund, Comments on Revised Draft 2017 Stakeholder Initiatives Catalog, November 17, 2016; Environmental Defense Fund, Comments on CAISO's Draft 2017 Stakeholder Initiatives Catalog, September 29, 2016.