

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Energy Imbalance Market Governance White Paper posted on August 13.

Submit comments to EIM@caiso.com

Comments are due September 6, 2013 by 5:00pm

Please provide your comments following each of the topics listed below:

- 1. Do you support the roles identified for the transition committee – i.e., to provide the Board with input on EIM-related issues during start-up and early implementation and to develop a proposal for an independent governance structure? Please explain the basis for your views.**

Comments:

NRDC supports the establishment of a CAISO regional energy imbalance market (EIM) and generally supports the concepts put forward in the August 13, 2013 draft Governance Proposal. In summary, NRDC believes the main objectives that need to be addressed by any governance structure are:

- Building confidence in present and potential participants in the discrete mission of the EIM;
- Ensuring EIM policies and decisions are established without market and other conflicts of interest;
- Facilitating the orderly formation of a deliberately conceived, publically vetted permanent governance structure, including the views of geographically and mission diverse stakeholders; and
- Promoting successful implementation of the EIM.

2. Do you support the sector definitions and the nomination and ranking process for the transition committee? Please explain the basis for your views.

Comments:

NRDC especially appreciates the inclusion of a category for “governmental agencies and public interest entities” on the Transitional Committee but urges that CAISO consider adding a separate slot to the committee for public interest entities. Experience has shown us that while the perspectives of these two classes of stakeholder often align, they do not always, and the input is significantly enriched by treating them separately. Moreover, it might undermine the goal of developing confidence in the broader regional market if states (or their agencies) feel as if their input is diluted by being required to represent the interests of other stakeholder classes.

3. Do you support the number of members in the transition committee and its composition? Please explain the basis for your views.

Comments:

We would prefer it be expanded by one to have separate governmental and public interest categories.

4. Do you support the independence proposals identified in the paper for long-term independent EIM structure? Please explain the basis for your views.

Comments:

NRDC strongly supports the emphasis on independence of the governing structure from market influences and other interests. The governing structure needs to be able to take management steps that facilitate the success of the EIM without prejudice or undue consideration for a single interest. The independence of the governing structure is essential to building confidence in and encouraging broader eventual participation in the EIM. This also tracks with a model or organization that has been adopted in the recent bifurcation of WECC, which establishes independent boards for the new companies and which has so far met with FERC approval. CAISO would have reasonable confidence to assume similar independent EIM governance constructs might also pass eventual FERC muster.

- 5. Are there details not covered here that you would suggest be included in the next round that will include a draft charter?**

Comments:

- 6. Any other comments?**

See attached.



Comments of NRDC on the California Independent System Operator's Energy Imbalance Market Governance Proposal

Submitted by Carl A. Zichella, Director of Western Transmission

August 28, 2013

NRDC is a national, non-profit organization of scientists, lawyers, and environmental specialists, dedicated to protecting public health and the environment. Founded in 1970, NRDC serves more than one million members, supporters and environmental activists with offices in New York, Washington, Los Angeles, San Francisco, Chicago and Beijing. NRDC has a long history of efforts to protect and conserve the nation's natural resources, including in particular the nation's air, water, lands and resources. NRDC also has a long history of advocacy promoting the increased use of energy efficiency and renewable energy sources to meet America's energy needs both at the national level and in various states, including California. We appreciate the opportunity to express our views regarding the formulation of a governance structure for a regionally-focused Energy Imbalance Market

I. Introduction and Summary:

NRDC supports the establishment of a CAISO regional energy imbalance market (EIM) and generally supports the concepts put forward in the August 13, 2013 draft Governance Proposal.

In summary, NRDC believes the main objectives that need to be addressed by any governance structure are:

- Building confidence in present and potential participants in the discrete mission of the EIM;
- Ensuring EIM policies and decisions are established without market and other conflicts of interest;
- Facilitating the orderly formation of a deliberately conceived, publically vetted permanent governance structure, including the views of geographically and mission diverse stakeholders; and
- Promoting successful implementation of the EIM.

II. Specific Comments:

- A. Build confidence in the mission:** NRDC supports the emphasis on governance structure that encourages regionally diverse entities to join the EIM. The wider the geographic diversity of both participants and the flexible and renewable sources of energy they will offer into the market, the more valuable the EIM will be for meeting state renewable energy integration and carbon reduction goals. The governance structure for a regional EIM will therefore need to reassure potential participants that it is intended to provide imbalance energy to participants and not intended to be an initial step toward a regional transmission organization (RTO).
- B. Avoiding conflicts:** NRDC strongly supports the emphasis on independence of the governing structure from market influences and other interests. The governing structure needs to be able to take management steps that facilitate the success of the EIM without prejudice or undue consideration for a single interest. The independence of the governing structure is essential to building confidence in and encouraging broader eventual participation in the EIM. This also tracks with a model or organization that has been adopted in the recent bifurcation of WECC, which establishes independent boards for the new companies and which has so far met with FERC approval. CAISO would have reasonable confidence to assume similar independent EIM governance constructs might also pass eventual FERC muster.
- C. Orderly development:** NRDC supports the two-step approach detailed in the governance proposal. This approach supports the transparent formation of the market's leadership function, allows for constructive iteration as needs evolve, facilitates vetting of the structure with all relevant public and private stakeholders in close communication with the ISO Board of Governors, and provides an orderly transition to a more permanent operating regime. It takes advantage of existing ISO Board policies to expedite the crucial work of developing and launching the EIM agreement and policies, thus avoiding delays and setting up the longer term EIM work. Finally and significantly, it prescribes an ongoing staff liaison and support function, something that will be essential for the Transitional Committee to meet the ambitious timelines set forth in the proposal.
- D. Promoting Success:** In addition to meeting the objectives detailed above, time is of the essence in developing the EIM governance structure if the market is to succeed. Establishing a Transitional Committee to guide the initial steps of governance, as an advisory committee to the Board of Governors under existing authorities saves time while formulating a longer term governance proposal that will need FERC approval.
- E. Capturing Diverse Perspectives:** NRDC especially appreciates the inclusion of a category for "governmental agencies and public interest entities" on the Transitional Committee but urges that CAISO consider adding a separate slot to the committee for public interest entities. Experience has shown us that while the perspectives of these two classes of stakeholder often align, they do not always, and the input is significantly enriched by treating them separately. Moreover, it might undermine the goal of developing confidence in the broader regional market if states (or their agencies) feel as if their input is diluted by being required to represent the interests of other stakeholder classes.

III. Conclusion: NRDC appreciates the opportunity to offer these views on the August 13, 2013 EIM Governance Proposal and looks forward to working closely with the ISO on the establishment of the regional EIM.