



Comments of Pacific Gas & Electric Company *Energy Imbalance Market Governance Draft Final Proposal*

Submitted by	Company	Date Submitted
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Pacific Gas & Electric (PG&E) offers these comments regarding the California Independent System Operator’s (CAISO) Energy Imbalance Market (EIM) Governance Draft Final Proposal.

In these comments, PG&E reiterates key themes noted in its earlier comments¹, namely that representation on the Transitional Committee (TC) should align with risk and uplift cost exposure. For entities without the ability to exit the CAISO’s market quickly, the justification for such entities’ representation grows. With these key changes, PG&E would support the CAISO’s approach. PG&E also supports the changes noted in the Draft Final Proposal regarding the sectors’ formation, nomination, and rankings processes.

1. CAISO PTOs need significant guaranteed representation on the TC.

CAISO PTO representation creates the correct incentives for EIM Governance. CAISO PTOs will seek to achieve the benefits of the EIM but only at reasonable costs. CAISO PTOs, particular the large LSEs, will balance EIM risks against benefits due to their customers’ exposure to market risks and uplifts, desire to achieve efficiencies on behalf of their customers, and their inability to exit the market in under two years. Representation based on load-ratio share may provide a similar approach for staffing the TC based on entities’ exposure to risks.

Significant CAISO PTO representation on the TC will also complement the expected representation of EIM entities on the TC. With NV Energy planning to join the EIM, assuming it executes an implementation agreement, the guaranteed representation of EIM entities on the TC expands since PacifiCorp already has a guaranteed seat. Assuming a third Balancing Authority joins the EIM, per the proposed rules, EIM entities would comprise

¹ <http://www.aiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarket.aspx>

three of eleven seats on the TC. The CAISO PTOs *and* the EIM entities that have executed an implementation agreement each bring important perspectives to the TC, but those perspectives necessarily differ. For example, unlike the CAISO PTOs, EIM entities can quickly depart the EIM, without cost as the EIM tariff provisions are currently drafted, should the EIM benefits turn out to be too limited. Guaranteed CAISO PTO representation will ensure that the perspectives of both of these key groups of EIM stakeholders are represented on the TC.

2. PG&E is a large CAISO PTO and needs representation on the TC.

PG&E is a large CAISO PTO with wide exposure to CAISO market risks and uplifts. For these reasons, in addition to experience with the CAISO operations, market, and history, PG&E warrants a spot on the TC.

PG&E will work in its sector to nominate and rank top candidates to promote efficient and reasonable markets. In addition to a PG&E individual, individuals from other CAISO PTOs also deserve a role on the TC.

3. TC rules should address the treatment of TC appointees when they change companies or when their company's EIM-status changes.

Rules should anticipate that TC members may change companies and that EIM entities may depart the EIM. In these situations, TC membership may become inappropriate. Rules must address these possibilities and should be discussed. PG&E recommends the CAISO use pre-reservations to the TC by certain sectors, e.g. CAISO PTOs, as well as other controls to guarantee appropriate TC participation by the right entities and individuals.

4. The Charter should not presuppose aspects of the TC's governance proposal for EIM.

The CAISO's "Energy Imbalance Market Transitional Committee Charter (DRAFT, Version 1.0)" states that the TC "will develop a proposal for a long-term EIM governance structure *with specific defined authority over EIM on a going-forward basis.*"² (Emphasis added.) The document also states that the long-term EIM governance structure will be "comprised of individual members who are independent of individual EIM market participants."³ These statements prejudge an aspect of the TC's recommendation and should be removed. TC members should, to the extent possible, consider the best governance structure for EIM, yet the CAISO's delineation of one possible outcome may inadvertently frame the Committee

² http://www.aiso.com/Documents/DraftFinalTransitionalCommitteeCharter_EnergyImbalanceMarket.pdf, p. 3.

³ *ibid.*, p. 10.

members' considerations. Prejudgments about an independent governance structure separate from the CAISO Board of Governors are unnecessary.