



Annual Policy Initiatives Roadmap Process Straw Proposal

July 18, 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 three-year policy development 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).¹

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

¹ 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.² 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*.³

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.

2 Proposal

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

2.1 Policy Initiatives Catalog

The *Policy Initiatives Catalog* purpose 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.⁴ The *Policy Initiatives Catalog* is a separate document used as a part of the development process for the

² 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

³ 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*.

⁴ Such requests should be made through a Customer Service Representative or Account Manager

Annual Policy Initiatives Roadmap. The policy initiatives used in the roadmap can be traced back to the catalog.

The catalog categorizations codes (I, F, N, and D) and EIM Governing Body classifications (E1, E2, E3, and E4) used for each initiative will remain the same.⁵

The catalog will be divided into the following categories:

- ❖ 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

The CAISO and Stakeholders will be able to submit new initiative requests through a template provided by the CAISO to initiativecomments@caiso.com during any time of the year. This template will be posted on the Annual Policy Initiatives Roadmap website⁶. Once a submission has been submitted, the CAISO will internally review the request. After the CAISO's review, the CAISO will re-post the stakeholder's template with the ISO's response. If an initiative will not be added to the catalog, the CAISO will provide a detailed explanation. If a request for a new initiative is accepted, the initiative will be added and reflected in an updated version of the catalog. The Catalog will be published twice a year, during the months of February and August. Since stakeholders will have the opportunity to submit revisions through the year, the catalog published in these months will be final.⁷

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 there was desire for the catalog process to be more formalized and to allow input to the catalog throughout the year. CAISO understands that California Municipal Utilities Association (CMUA), La Paloma Generating Company (LPGC), NRG Energy (NRG), Public Generating Pool (PGP), Six Cities, TransAlta, and Western Power Trading Form (WPTF) all support such an enhancement.

The proposed enhancement will address the above desire and will provide an opportunity to provide input to the catalog throughout the year, instead of once per year. Posting both the CAISO

⁵ For a detailed explanation of the catalog category codes and EIM Governing Body classifications, please see Section 2 in the *Final 2017 Stakeholder Initiative Catalog* found at: http://www.caiso.com/Documents/Final_2017StakeholderInitiativesCatalog.pdf

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

⁷ The previous process of updating and completing the catalog, which involved publishing a Draft 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 Catalog will no longer occur.

and stakeholders' requests on the initiative's website will help provide origin, context and transparency when the draft annual roadmap is published.⁸

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 roadmap will instead include the proposed roadmap for the following year that also 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 roadmap, the CAISO will also include a high-level three-year market roadmap. The CAISO believes sharing a longer term planning horizon with stakeholders will ensure that planned policy development is done more effectively and will help stakeholders and the ISO come to consensus as to 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.

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.⁹ **Figure 1** 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.

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*¹⁰. The final roadmap will be published in late November or early December and will include stakeholder comment summaries.

The Market and Infrastructure Policy Director will then provide a briefing of the *Final Annual Initiatives Policy Roadmap* to the EIM Governing Body (EIM GB) and Board of Governors (BOG)

⁸ 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

⁹ The vision will be updated every year as operational challenges and market issues are identified by CAISO management.

¹⁰ 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.

during their December meetings. The timeline for the process described in this paper is illustrated in **Figure 2**.

Figure 1: Linkage strategic vision and policy Initiative’s Roadmap

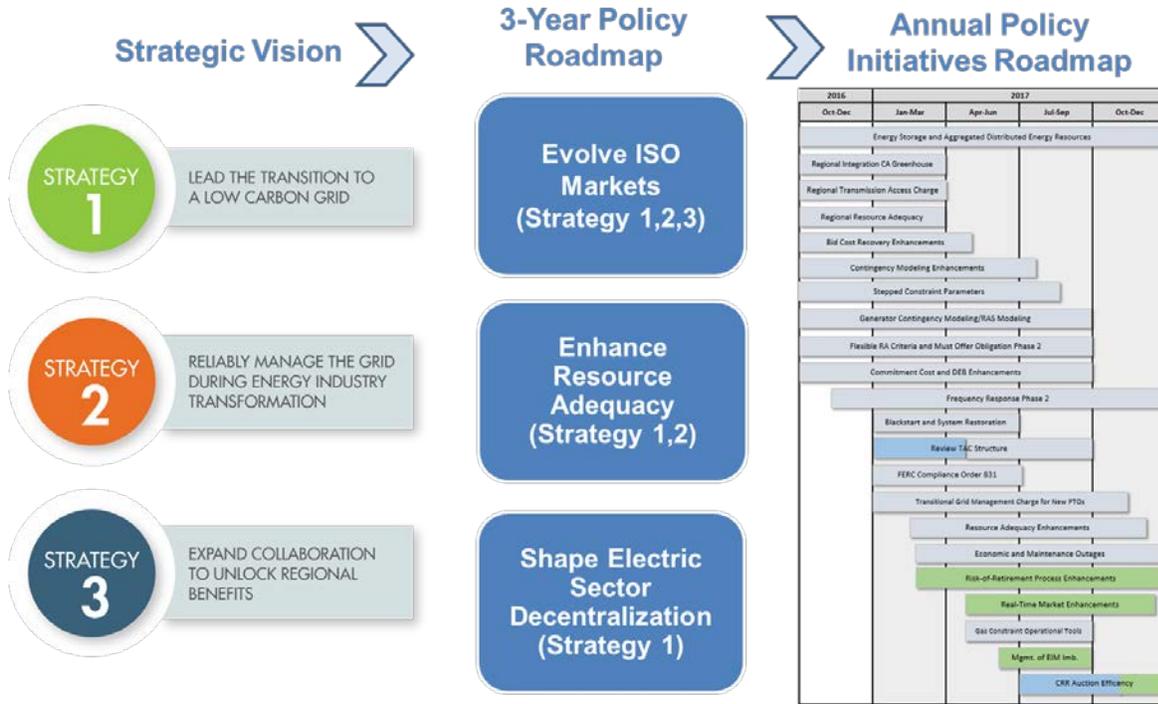
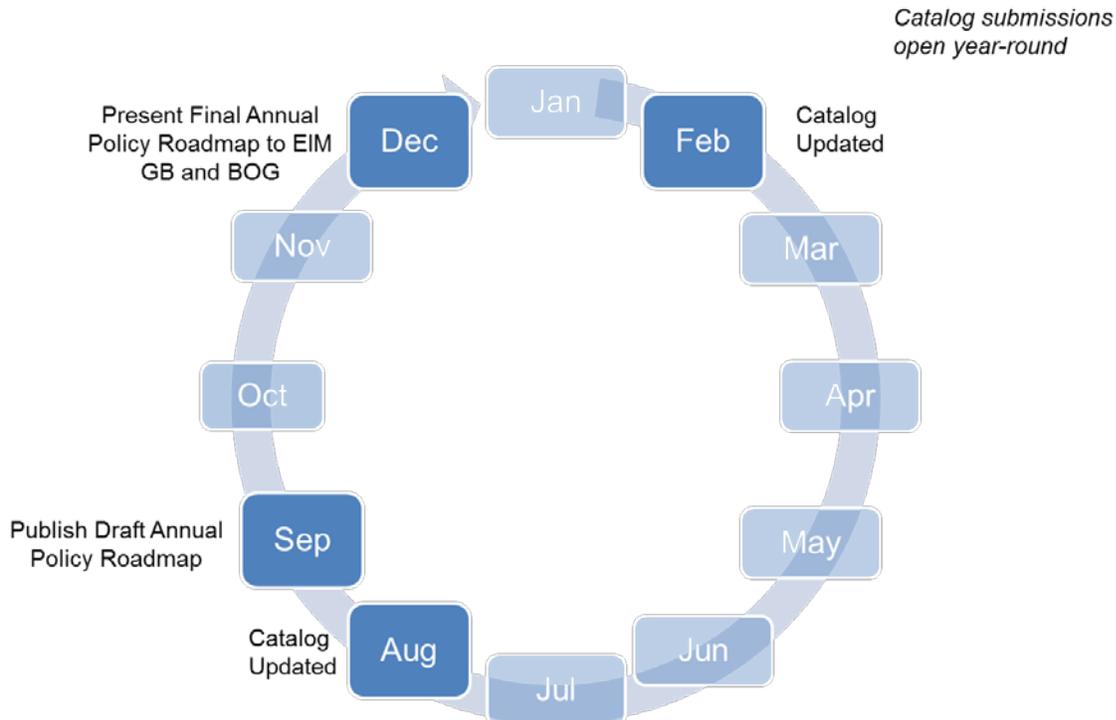


Figure 2: Annual Policy Roadmap process timeline



2.2.1 Stakeholder Comments

CAISO understood from stakeholder comments that the current roadmap process needed enhancements. The CAISO's current practice of ranking discretionary initiatives from the Catalog was broadly thought of as time-consuming and the criteria categories were inefficient. Arizona Public Service (APS), AVISTA, California Municipal Utilities Association (CMUA), DC Energy, Eugene Water and Electric Board (EWEB), Public Generating Pool (PGP), Puget Sound Energy (PSE), Six Cities, Tacoma Power, TransAlta, Valley Electric Association (VEA), and Western Power Trading Form (WPTF) all supported the revision of the ranking process.

The majority of stakeholders also stated that scores assigned to the category of "Desire by Stakeholders" was a reflection of popularity by ISO staff or stakeholders. APS, EWEB, PacifiCorp (PAC), PGP, Puget Sound, Seattle City Light, and Tacoma Power supported an additional category added to represent the different stakeholder communities, such as Energy Imbalance Market (EIM).

Despite the CAISO's best efforts to provide stakeholders with a quantitative and qualitative measurement for selecting discretionary initiatives, the ranking process became a diversion from its intended purpose. As a result, the CAISO has decided to remove the ranking process from the roadmap. By doing so, the CAISO will then be able to address stakeholders' desire for the CAISO's detailed expected benefits, assessment of benefits, and rationale for the annual roadmap.

Adding the CAISO's three-year market roadmap will also help provide further context and transparency on priorities for the upcoming year, as well as illustrating how the vision is coordinated with the company's strategic vision. The three-year market design and annual roadmap also demonstrates that a separate decision-making process for Energy Imbalance Market initiatives is not needed. The Energy Imbalance Market is an extension of the CAISO's real-time market and therefore is included in development of the strategic vision and three-year market vision roadmap. The CAISO believes this added level of information will provide more meaningful and forward thinking conversations with all stakeholders, while also incorporating a "big picture" of implementation schedules. This new process will also address the Stakeholder's desire to provide comments in advance as the company plans its future priorities for the next several years.

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 21</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>Sept 4</i>	<i>Stakeholder written comments due on Draft Final Proposal</i>
<i>Sept 5</i>	<i>Begin the updating to the Policy Initiatives Catalog</i>

The ISO plans to discuss this straw proposal with stakeholders during a stakeholder call to be held on July 25, 2017.

For the stakeholder comments due August 8, the ISO requests stakeholder written comments regarding any of the following:

1. Agreements of the ISO's proposed process changes; or
2. Disagreements of the ISO's proposed process changes and revisions to the proposal. Stakeholders should include an explanation to any requested revision or proposed change.

Stakeholders should submit their comments to initiativecomments@caiso.com by the close of business on August 8, 2017.

4 Appendix

4.1 Proposed California ISO Policy Initiatives Catalog Submission Form

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

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.			
Date: 6/1/2017			
Submitter Information			
Organization	Contact Name	E-mail	Phone
Please provide a title for the issue.			
Please provide a summary description of the issue (i.e. 500 words)			
Please provide any data/information available that would characterize the importance or magnitude of the issue.			

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California ISO Response

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