

EIM Governance Review Committee

Submitted by	Company	Date Submitted
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PG&E appreciates this opportunity to comment on the Energy Imbalance Market (EIM) Governance Review Committee (GRC) Scoping Paper, published January 29, 2020 and discussed in the GRC General Session Meeting on February 5, 2020. PG&E supports the work of the GRC both to examine incremental changes to the current governance model of the EIM, as well as to prepare for the far more significant changes that may be needed to accommodate the introduction of an Extended Day-Ahead Market (EDAM) in the future.

In summary, PG&E believes that EDAM governance should include:

- Replacement of the current “but for” decisional classification with a “bright line” test, based on a mapping to relevant sections of the ISO Tariff.
- Expansion of the number of members on the EIM Governing Body from five to as many as nine to reflect the greater diversity of the expanded footprint.
- Creation of a “joint approval” regime for all market design initiatives, other than those that affect either only the real-time EIM or only the California Balancing Authority Area (BAA).
- Under Delegated Authority, the joint approval regime would involve joint session meetings, in which the CAISO Board of Governors and (expanded) EIM Governing Body sit in joint session as a single body and vote to approve market design changes by simple majority rules. Jointly approved items would then be placed on the consent agenda for a separate vote by the CAISO Board of Governors, alone, without further discussion.

PG&E recommends that additional details of the governance proposal that depend upon the above foundational features be deferred until later in the governance review. These include, for example, the role for any Stakeholder Advisory Committee, the role of the EIM Governing Body in the policy initiative roadmap process, and the role and relationship of the DMM and MSC with respect to the EDAM governance.

Issue 1: The Delegation of Authority for Market Rules to the EIM Governing Body and the Decisional Classification Process

The current decisional classification scheme requires a careful determination for each initiative as to whether it properly belongs within the Primary Authority of the EIM Governing Body, the

Advisory Authority of the EIM Governing Body (but Primary to the CAISO Board of Governors), or is Hybrid, with portions falling under each decisional body's primary authority. Although this model has occasionally caused friction, it has generally worked well within the context of the current real-time only EIM. Classification is conducted using the "but for" test to segregate those market design questions which have primary impact in the real-time market (i.e. the issue would not exist "but for" the EIM), from those that primarily impact the Day-Ahead Market, or are unique to the California Balancing Area, and therefore belong under the Primary Authority of the CAISO Board of Governors. There is provision for an advisory role for the EIM Governing Body on issues that impact both markets and rightly require consultation between the two governing bodies.

PG&E expects that, if and when EDAM comes about, there will be a significant increase in overlap between the authority of the two bodies with respect to market design initiatives that span the real-time and day-ahead markets, to the point that the current decisional classification model and the "but for" test will no longer be a meaningful or practical means of segregating decision making authority. PG&E supports a transition, upon commencement of EDAM, to a "bright line" test. PG&E believes that such a test could be constructed using the CAISO tariff as a reference, along the following lines:

- For initiatives that consider tariff changes that exclusively affect the real-time market design, meaning those where the changes are contained within only the EIM sections of the Tariff (principally Section 29¹ but potentially including changes to other sections or addition of any new sections that exclusively address real-time market design), decision making authority would be delegated to the EIM Governing Body² under its Primary Authority. As in the current model, such initiatives, if approved, would be placed on the Consent Agenda for approval by the CAISO Board of Governors, without further discussion, at a subsequent meeting.
- Any initiative to consider tariff change to sections of the CAISO Tariff related exclusively to the role of the CAISO as Balancing Area Authority (BAA), such as those related to the Transmission Planning Process (Section 24) and Interconnection (Section 25), as well as potentially others, would be under the exclusive authority of the CAISO Board of Governors with no role for the EIM/EDAM Governing Body.
- For all other market design changes affecting all other sections of the CAISO tariff, PG&E supports a joint approval model, ideally via regular joint session meetings of the full membership of both the CAISO Board of Governors and EIM/EDAM Governing Body. As noted in the Scoping Paper, a similar format was used to authorize creation of the GRC and to modify governance charter documents for the EIM. PG&E envisions that regularly scheduled in-person

¹ See <http://www.caiso.com/Documents/Section29-EnergyImbalanceMarket-asof-Aug1-2019.pdf>

² PG&E does not support maintenance of a separate EIM governance post-EDAM. While some states and entities may choose to remain "EIM only", PG&E assumes that the current role of the EIM Governing Body would be subsumed under a new EDAM Governing Body upon initiation of EDAM operations. Importantly, PG&E opposes any extension of the current EIM decisional classification scheme that would divide initiatives among three governing institutions (EIM, EDAM, and BAA) as overly burdensome and likely to cause greater friction.

joint session meetings (potentially in both public and executive session) would be convened to vote on and approve, by a simple majority, proposed tariff changes impacting the overall EDAM market design, including initiatives affecting either the day-ahead only or both day-ahead and real-time market design.

The CAISO Board of Governors would continue to retain the exclusive right to authorize CAISO Staff to make tariff filings at FERC pertaining to the operation of EDAM (as well as other CAISO functions). PG&E encourages the GRC to explore the possibility of whether jointly approved items, as described above, could be referred automatically (and perhaps immediately) for a consent agenda vote (without further discussion) by the CAISO Board of Governors alone.

In other words, PG&E is supporting an extension of the Delegated Authority model in which the entity to which the CAISO Board would delegate its decision-making for certain initiatives is the joint approval committee, composed of both the CAISO Board of Governors and the EIM/EDAM Governing Body, meeting in joint session. Once this joint committee has arrived at an approved decision, that decision is then referred to the CAISO Board of Governors for approval on its Consent Agenda, as is done for EIM Governing Body Primary Authority decisions today.

PG&E recognizes that there are many additional details to work out with regard to the proposed redesign of the decisional classification model. For example, the full mapping of tariff sections to be included under each decisional path above will require careful review and may depend in part on the EDAM design (i.e., where within the CAISO tariff specific EDAM-related rules are situated). At this stage, PG&E is expressing conceptual support for the bright line and joint approval approach, in the belief that it may provide a workable solution for a future blended governance, creating a reasonable balance between California BAA and multi-state EDAM interests.

Issue 2: The Process and Criteria for Selecting Governing Body Members

No major changes to the Governing Body selection process and criteria for members are necessary under the current EIM paradigm. However, PG&E believes the number of members of the Governing Body could be enlarged to accommodate the larger geographic footprint and to achieve a broad stakeholder representation, while retaining the current stakeholder sector-based nomination process for selecting and reappointing Governing Body members.³

PG&E proposes expansion of the Governing Body from five members under today's EIM governance to perhaps as many as nine members. PG&E notes that other multi-state RTO/ISO Boards typically consist of more than five members. Moreover, an expansion of Governing Body membership will help facilitate an equitable "load weighted" treatment for votes involving joint approvals by both the CAISO Board of Governors and EIM/EDAM Governing Body. For example, under the above proposed joint approval model, whenever the five member CAISO Board of Governors and an expanded nine-member Governing Body sit in joint

³ While PG&E opposes specific geographic "carve outs", the Governing Body membership must be large enough to reflect the diversity of views within the 11 states (and 1 Canadian province) of the coming EIM/EDAM footprint.

session, the total representation of California gubernatorial appointees would account for only 5/14 (35.7%) of the total votes, which is similar to California's load-share ratio within the total WECC (as a proxy for potential EDAM).

Assuming each body would be designed with an odd number of members to facilitate simple majority decision making, any joint approval would necessarily involve an even number of combined members (e.g. 14). PG&E does not have a specific proposal at this time for how to resolve ties. Several possibilities appear workable, such as remanding ties to the CAISO Staff to rework the proposal or creating an ad hoc committee of the Chairs of both governing bodies to resolve differences and propose changes to the proposal such that it can be supported by a majority.

Issue 3: Governing Body Meetings and Engagement with Stakeholders

No changes to the process, frequency, or location of Governing Body meetings are necessary under the current EIM.

Under EDAM, the proposed joint approval model will necessarily entail changes to the frequency and location of joint session meetings. PG&E does not have any specific recommendations at this time, but if EDAM is to be successful, it is likely that both the CAISO Board of Governors and EIM/EDAM Governing Body will need to coordinate schedules and meet regularly at a rotating set of locations around the region (including periodically in Folsom). The current established practice of co-locating multiple meetings at adjacent times (e.g. EIM Governing Body, GRC, RIF, and occasionally stakeholder meetings) could easily be extended to include joint session meetings involving the CAISO Board of Governors, as well.

A. Should there be a Stakeholder Advisory Committee?

No changes to the current stakeholder-based Regional Issues Forum (RIF) are necessary under the current EIM.

The RIF has served a valuable informational function, gathering and educating EIM stakeholders on a regular basis, and helping to surface issues requiring further attention in a formal initiative or Governing Body deliberation. Importantly, the RIF has not played an advocacy role or taken positions on active initiatives already being addressed within the CAISO stakeholder process, where all stakeholders (and coalitions of stakeholders) are always free to voice their perspectives.

While PG&E is not necessarily opposed to the creation of a Stakeholder Advisory Committee (SAC) under a future EDAM, we recommend that the GRC defer any decision on this matter until later in the governance design process, perhaps even after some period of EDAM operation. In particular, it will be hard to identify and design the proper role of the SAC vis a vis the Governing Body, until other aspects of the governance design for EDAM have gelled.

Questions about the membership, voting rights, and standing of individual stakeholder representatives in any prospective committee might best be worked out by a subcommittee of the GRC.

As a general matter, PG&E believes that the current CAISO stakeholder process works well and should not require radical overhaul to accommodate the broader range of stakeholder voices in EDAM. Any SAC should supplement but not replace the current process.

B. Possible Funding for the BOSR

PG&E does not believe the CAISO should fund the BOSR. As the BOSR remains an independent entity, not under CAISO institutional auspices, it should identify or create an independent funding or allocation mechanism – if required -- to support its activities and any independent staffing needs beyond the support currently provided by the CAISO Staff.

C. The Role of Public Power and Federal Power Marketing Agencies

PG&E is agnostic as to the form of appropriate representation for public power and federal PMAs in the EDAM, but we support the principle of equitable participation of all EDAM stakeholders in the governance institutions, as for example, via the sector definitions used in assigning the nominating committee representatives and RIF liaisons.

If non-state-jurisdictional EIM and EDAM entities wish to create an independent institution to coordinate outreach with local regulators and/or federal agencies, this body should be accorded the same institutional courtesy as the BOSR (e.g., attendance by CAISO personnel at their meetings, a standing slot on the Governing Body agenda to provide updates, etc.). As in Section B above, PG&E would oppose any explicit CAISO funding mechanism to support these independent bodies.

Issue 4: Other Potential Areas for Governing Body Involvement

PG&E supports the greater involvement of the EIM Governing Body in, for example, elevating EIM issues for potential inclusion in the policy initiative roadmap. No formal changes are needed to accommodate this role, which exists through informal consultation today.

PG&E notes that the annual roadmap is a useful tool for resource planning, not just for CAISO Staff but also for stakeholders, who will have to prioritize their participation to a greater degree. Given what will likely be an elevated number and complexity of initiatives with all the new design issues generated by EDAM, and greater pressure on market participants' staffing and implementation resources, we would like to see CAISO solicit more stakeholder feedback with regard to the number and scope of initiatives it takes on each year.

PG&E supports retention of both the DMM and MSC, in their current form, and believes their respective roles can (and to some extent already do) encompass market monitoring and expertise related to both the day-ahead and real-time markets under EIM (and any future EDAM). Indeed, their role could be critical in identifying seams issues or gaps that may be created by the fusing together of the CAISO BAA day-ahead market and new EDAM market rules with current real-time only EIM.

Down the road, the GRC may wish to consider whether changes are needed to the organizational structure of either of these institutions in order to accommodate, for example, the respective roles of the CAISO Board of Governors and EIM/EDAM Governing Body. PG&E recommends that any such changes be considered in a later stage of the governance review.

Issue 5: Guiding Principles

No comment.

Issue 6: Other Potential Topics for Consideration

One additional topic PG&E would like to propose for the GRC relates to resource allocation with respect to the Grid Management Charge (GMC) and proposed EDAM Administrative Fee. These mechanisms will both collect revenue from participating entities in order to fund CAISO staff and operations.

While the EDAM stakeholder initiative will likely address the proper formulation and design of a rate for assessing fees on EDAM entities, the governance question, as to which governing body will decide the spending priorities and allocate resources between, for example, BAA and EDAM priorities, does not belong in the stakeholder initiative. How each governing institution has its say in control of the “purse strings” and the allocation of staff resources is a governance question that should be addressed as part of the GRC proposal.