

## EIM Governance Review

Submitted by	Company	Date Submitted
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PG&E appreciates this opportunity to comment on the Straw Proposal for Formation of an EIM Governance Review Committee (GRC), as published on April 1, 2019 and discussed in a stakeholder call on April 10th.

At a high level, PG&E supports this effort and believes that the formation of the GRC will be helpful in laying the groundwork for consideration of the potential extension of the Western Energy Imbalance Market (EIM) into an Extended Day-Ahead Market (EDAM) in a separate, forthcoming initiative. PG&E notes that the question of whether to address governance before or after the many technical design considerations posed by creation of an EDAM is inherently a “chicken and egg” situation. Invariably, some parties will be concerned that governance cannot be addressed until greater information is available on what exactly EDAM will look like, while other parties may prefer to arrive at a consensus on the threshold issue of governance before devoting their energies to technical market design considerations, such as transmission cost allocation and resource sufficiency. PG&E understands the validity of both views and supports the CAISO’s efforts to move forward on a parallel track, in order to at least put in place, in the form of the GRC, the institutional infrastructure to address governance concerns and build consensus among the EIM states, even while technical design discussions are on-going.

With regard to the specifics of the April 1 Straw Proposal, PG&E has one general comment on the GRC’s proposed scope and then a few, more minor technical concerns. The first, more general comment is that in successive sentences, the Straw Proposal states:

Because stakeholders have generally expressed the view that the current EIM governance structure is functioning well, the GRC would be asked to look for ways to refine and improve that structure rather than to develop an entirely new model from scratch.

If the ongoing feasibility assessment of an extended day-ahead market (EDAM)... produces a positive outcome, then the GRC’s scope of work also would include considering any potential governance enhancements that may be necessary for EDAM. (Straw Proposal, pp. 3-4)

These sentences elide a critical distinction between the “current EIM governance structure” -- i.e., the delegated authority model which was developed by the EIM Transitional Committee and has worked well for the current real-time only EIM – and any future EDAM governance structure. Clearly, stakeholders cannot and have not “generally expressed the view” that the current EIM governance is “functioning well” in a future EDAM that does not yet exist. Therefore, PG&E believes that the GRC’s

scope, as regards EDAM, should not necessarily be confined to consideration of the current delegated authority only and what can feasibly be achieved within the confines of only one possible governance model.

The Straw Proposal should not attempt to pre-judge and constrain the important work of the GRC in regards to EDAM governance design. The leap from a real-time only, voluntary participation market to a full Day-Ahead Market is a significant one that will likely entail deeper and longer-term obligations for market participants. It will certainly implicate a much larger volume of transactions and broader set of market design questions than the current EIM, and therefore reduce the scope of initiatives that will remain under the primary authority jurisdiction of the CAISO Board of Governors, based on the current delegated authority model. It may be therefore, that, after due consideration, the GRC arrives at a consensus recommendation that the delegated authority model, as currently constituted for EIM, is not adequate to the expanded primary authority of the EIM Governing Body under EDAM. In this event, PG&E believes that the GRC should be chartered with the ability to make its own independent governance recommendation – even if the authority to enact that recommendation does not lie within the current statutory authority of the CAISO Board of Governors.

PG&E therefore proposes that the Straw Proposal with regard to the scope of GRC activities be modified, as follows:

Because stakeholders have generally expressed the view that the current EIM governance structure is functioning well in the context of a real-time only, voluntary participation EIM, the GRC would be asked to look for ways to refine and improve that structure and to determine whether and how it could be applied to any future Extended Day-Ahead Market (EDAM), rather than to develop an entirely new model from scratch. However, if the GRC determines that additional governance changes are required to accommodate the EDAM design, the GRC's scope would allow it to make such recommendations as the Committee deems necessary and prudent, even if such recommendations cannot be enacted by the CAISO Board of Governors, under its current statutory authority.

### **Additional Specific Comments**

PG&E offers the following additional comments with regard to the specific technical features of the proposed GRC design.

1. On p. 3, the Straw Proposal provides for the GRC to develop both a consensus proposal that has “broad support among stakeholders”, and, if not supported unanimously by all members, “one or more minority proposals, but any minority proposal would be forwarded to the Governing Body and the Board only if it has the support of at least three members of the Committee.”

Given the delicate balance of sector interests, states, and stakeholders involved in the composition of the GRC, it may be that a minority position of even two members emerges on certain issues. PG&E therefore recommends that the three member minimum for representation of a minority position be reduced to a minimum of only two members.

2. With regard to the five sectors and definitions of them provided on p. 5 of the Straw Proposal, PG&E understands the fine distinctions the Straw Proposal has attempted to make. As there are now four

Publicly-Owned Utilities (POUs) that have signed EIM implementation agreements (Seattle City Light, Salt River Project, SMUD/BANC, and LADWP), these would fall under the EIM Entity Sector, rather than the POU Sector. By contrast, there is one large, federally-managed entity in the West (Bonneville Power Administration) that is considering EIM participation but has not yet signed an implementation agreement, and would therefore remain under the POU sector for the time being, together with the many small POUs that are surrounded by the EIM footprint, and may either join EIM directly at some future date or may be impacted or find alternative means to participate in EIM/EDAM indirectly.

PG&E does not wish to upset this delicate balance but notes that the Sector definitions provided are not fixed and are likely to change over time as parties change contractual status. As the GRC membership “will not be charged with voting for their narrow interests or as a representative for [their] individual sector” (p. 6), it may well be that the individual representatives that are selected continue to participate effectively on behalf of the sector that originally nominated them. However, to the extent that any such movement creates friction among the stakeholder community as to who best represents a given sector on the GRC, the Straw Proposal and Charter may wish to contemplate a process or option for removal of a GRC member by their nominating sector (this clause would only be invoked should a GRC member change employment status or the entity they represent change sector status during the term of their GRC service). The decision to rescind and replace a nominee could occur, for example, by a super-majority vote of the remaining members of the sector, with the affected individual/organization recused from voting.

3. Finally, PG&E questions the role of the delegates to the GRC from the CAISO Board of Governors, Body of State Regulators (BOSR) and EIM Governing Body, and whether they should be included as full voting members of the GRC for purposes of determining a majority/minority recommendation.<sup>1</sup>

As these *ex officio* members will also serve on the very governance institutions that will ultimately vote on and be transformed by the final work product of the GRC, it may unduly bias the work of the GRC to afford them equal standing in the creation of that work product, and may serve to bias deliberations among the GRC membership.

PG&E would recommend that the CAISO Board, BOSR, and EIM Governing Body positions be designated instead as non-voting delegates to the GRC (for purposes of establishing majority/minority views) and that none of the three should be eligible to serve as Chair of the GRC.

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<sup>1</sup> PG&E also notes that the presence of a sitting state regulator (as the BOSR representative) could prove problematic for regulated entities under that regulator’s jurisdiction, as they may be prevented from discussing certain issues under State *ex parte* rules.