



**Public Advocates Office**  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102  
Tel: 415-703-1584  
[www.publicadvocates.cpuc.ca.gov](http://www.publicadvocates.cpuc.ca.gov)

## **Energy Imbalance Market Governance Review Committee**

February 20, 2020

### **Introduction**

The Public Advocates Office is California's independent consumer advocate with a mandate to obtain the lowest possible rates for utility service, consistent with reliable and safe service levels and the state's environmental goals. The Public Advocates Office submits the following comments and recommendations on the California Independent System Operator's (CAISO) proposal for the Energy Imbalance Market (EIM) Governance Review Committee (GRC) which the CAISO presented to stakeholders during the February 5, 2020 stakeholder meeting. We provide comments and recommendations on the following six issues that were identified in the EIM GRC Scoping Paper: 1) the delegation of authority for market rules to the EIM Governing Body and the decisional classification<sup>1</sup> process; 2) the process and criteria for selecting EIM Governing Body members; 3) EIM Governing Body meetings and engagement with stakeholders; 4) other potential areas for the EIM Governing Body involvement; 5) guiding principles; and 6) other potential topics for consideration. The Public Advocates Office comments are in a question and answer format for each issue.

### **Comments and Recommendations**

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

*A. Should the scope of delegation for the EIM Governing Body be changed with or without the implementation of the Extended Day-Ahead Market (EDAM)?*

The scope of authority for Market Rules delegated to the EIM Governing Body should remain unchanged with or without the implementation of EDAM.<sup>2</sup> Participation in the EIM by Western EIM entities is currently voluntary and will remain so if EDAM is implemented. Therefore, expanding the scope of delegation of EIM Governing Body for the EDAM does not provide the CAISO's EIM operations any economic and operational efficiencies. In fact, expanding the authority delegated to the EIM Governing Body may increase the EIM operational complexities, increase EIM operational costs, and decrease EIM benefits for ratepayers.

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<sup>1</sup> Decisional classification is the determination(s) regarding whether matters are within the EIM Governing Body's primary or advisory authority. EIM Governance Review Committee Scoping Paper, January 29, 2020 (Scoping Paper), p. 8.

<sup>2</sup> The Extended Day-Ahead Market (EDAM) is an initiative that proposes to extend the CAISO's day-ahead market to the Western EIM entities.

Currently, the EIM Governing Body has “primary authority” to approve or reject proposed changes to real-time market rule(s) if they are specific to EIM real-time market and EIM balancing authority areas. The EIM Governing Body also has “advisory authority”<sup>3</sup> on market rules that govern the EIM entities in the CAISO markets. If the EDAM is approved by the CAISO Board and the Federal Energy Regulatory Commission (FERC), the Public Advocates Office recommends that the EIM Governing Body have “advisory authority” for the EDAM, since the CAISO market will expand to facilitate voluntary participation of EIM entities in the day-ahead market which is overseen by the CAISO Board. Hence, the EIM Governing Body should not have primary authority over the day-ahead market rules due to the nature of their voluntary participation. In this advisory role, the EIM entities will have the opportunity to express their concerns to the EIM Governing Body in the Governing Body’s meeting and forums.

*B. Should the process for determining the EIM Governing Body decisional classification be changed with or without the implementation of EDAM?*

The CAISO’s decisional classification process should remain unchanged with or without the implementation of EDAM. The CAISO operates the EIM and understands the operational issues, first-hand, and whether the market meets the system’s operational needs. Therefore, the CAISO Board should continue to determine the decisional classifications through its policy initiatives process with input from stakeholders, as well as through quarterly reports to the EIM Governing Body on the status of EIM operations and stakeholders’ issues. In addition, the CAISO should continue to report on the status of the EIM operations and any stakeholder issues to the EIM Governing Body.

Participation in the real-time EIM is voluntary<sup>4</sup> and the EDAM initiative issued on October 10, 2019<sup>5</sup> states that participation in the EDAM would also be on a voluntary basis. Therefore, the decisional classification for the EIM Governing Body should remain with the CAISO Board.

*C. Should the process for changing the scope of authority delegated to the EIM Governing Body be change with or without EDAM?*

The process for changing the scope of authority delegated to the EIM Governing Body’s should remain unchanged with or without the implementation of the EDAM. Currently, the Charter for EIM Governance<sup>6</sup> defines the scope of issues delegated to the EIM Governing Body for its primary approval. Any changes to the scope of issues as defined by the CAISO in the EIM Charter<sup>7</sup> must be approved by the CAISO Board and be presented first to the EIM Governing Body for its advisory input.

If the EDAM initiative is approved, the Public Advocates Office will evaluate any new EIM GRC Issue Paper(s) at that time.

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<sup>3</sup> The EIM Governing Body has “advisory authority” over any other rules that govern EIM participation in the CAISO’s entire real-time market or rules that generally apply to any participation by EIM entities in the CAISO markets. The EIM Governing Body provides advice to the Board on any proposed modifications to policy initiatives.

<sup>4</sup> BPM\_for\_Energy Imbalance Market\_V18 [here](#), p.10.

<sup>5</sup> EDAM Issue paper [here](#).

<sup>6</sup> Charter for EIM Governance [here](#). The Charter for EIM Governance was formed to create an EIM governance structure and establishes the EIM Governing Body, and its responsibilities and procedures.

<sup>7</sup> EIM Charger, Section 8.

*Issue 2: Should the process and criteria for selecting the EIM Governing Body members be changed?*

At this time, the current Selection Policy is reasonable and should remain unchanged because the current selection criteria balance the work expertise and education requirements for membership on the EIM Governing Body. Currently, the Selection Policy<sup>8</sup> for the EIM Governing Body identifies the process and criteria for nominating and selecting the membership of the EIM Governing Body. The Selection Policy currently consists of three elements: 1) members must have electric industry experience, market experience in financial markets and commodity trading, and general corporate/legal/financial experience in management, law, and finance; 2) the establishment of a nominating committee that operates by consensus of its voting members, guidelines for the nominating committee's work, qualifications that the nominating committee and executive search firm should consider in identifying and evaluating candidates; and 3) a process for approving a slate of nominees. Any proposed changes to the Selection Policy for the EIM Governing Board should be vetted through CAISO's stakeholder process.

*Issue 3: EIM Governing Body Meetings and Engagement with Stakeholders.*

*A. Should there be a Stakeholder Advisory Committee for EDAM?*

The Public Advocates Office does not recommend a separate Stakeholder Advisory Committee for the EDAM. The CAISO stakeholder process currently includes a review process for EIM initiatives and policies where stakeholders, including EIM entities can participate in.

Furthermore, the EIM Governor Body's activities should continue to remain transparent so EIM market issues can be addressed objectively when they arise.

*B. Should the CAISO provide funding to educate the Body of State Regulators (BOSR)<sup>9</sup> on technical issues?*

The Public Advocates Office does not support the proposal to provide funding from the CAISO to educate the BOSR on technical issues. The funding would come from ratepayers and would diminish, EIM benefits to ratepayers. In addition, during the CAISO stakeholder processes the CAISO educates stakeholders on technical issues. In addition, stakeholders often have technical expertise and contribute to the CAISO initiatives through the CAISO stakeholder processes. Therefore, providing funding to educate the BOSR on technical expertise will duplicate the CAISO's process since all stakeholders, including the BOSR, can gain technical expertise during the CAISO initiative stakeholder process.

*Issue 4: Should the EIM Governing Body be involved in other potential areas?*

The Public Advocates Office does not have comments and/or recommendation on this issue at this. The Public Advocates Office may offer comments and/or recommendations when these other potential areas are identified and clearly defined.

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<sup>8</sup> [SelectionPolicy\\_EIMGoverningBody.pdf](#).

<sup>9</sup> The Body of State Regulators (BOSR) is comprised of one commissioner from each of the state public utility commissions within the EIM footprint which include Oregon, Washington, Arizona, Utah, California, Nevada, Idaho, and Wyoming. Its primary function is to provide a forum for Western state energy commissioners to share information on Western EIM and related CAISO developments that may be relevant to their jurisdictional responsibilities.

*Issue 5: Should the EIM Governing Body and the Board have guiding principles beyond fulfilling the current five key criteria? Should the Transitional Committee guiding principles be modified or supplemented?*

The current EIM Governance Charter has the following five key criteria as guiding principles:<sup>10</sup>

- Help control costs to ensure that favorable cost/benefit ratios are maintained for the benefit of market participants.
- Protect the ISO market, including the EIM, its participants, and consumers against the exercise of market power or manipulation and otherwise further just and reasonable market outcomes.
- Facilitate and maintain compliance with other applicable legal requirements, including but not limited to environmental regulations and states' renewable energy goals.
- Allow EIM Entities to withdraw from the EIM prior to any action that would cause or create an exit fee; and
- Allow options to expand the functionality of the ISO market to provide additional services.

These five key criteria are reasonable, and the Public Advocates Office recommends their continued use by the EIM Governing Board. The CAISO should continue to control EIM operational costs to ensure cost effectiveness of the program. Any potential additional EIM costs, as contemplated for funding BOSR technical expertise, should not be recovered from the CAISO as it may unfairly burden and diminish the benefits of EIM to California ratepayers.

*Issue 6: Are there other potential topics for consideration?*

The Public Advocates Office recommends that the CAISO should ensure resource commitments from EIM entities because the participation in the EIM and EDAM markets is voluntary. In addition, any changes to the EIM Governance and operational rules should not undermine California environmental regulations.

If you have any questions regarding these comments, please contact Lina Khoury at [Lina.Khoury@cpuc.ca.gov](mailto:Lina.Khoury@cpuc.ca.gov) or 415-703-1739.

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<sup>10</sup> Charter for EIM Governance [here](#), p.3.