



# **EIM Governance Review Committee**

*Scoping Paper*

**January 29, 2020**

## Table of Contents

I.	Introduction.....	1
II.	EIM Governance: Development and Documentation.....	2
III.	The Governance Review Committee and its Mission.....	4
IV.	Potential Topics for Review and Questions for Stakeholder Input.....	6
	Issue 1: The Delegation of Authority for Market Rules to the EIM Governing Body and the Decisional Classification Process .....	7
	A. The Scope of Delegation to the Governing Body .....	7
	B. The Decisional Classification Process.....	8
	C. The Process for Changing the Scope of the Delegation .....	9
	Issue 2: The Process and Criteria for Selecting Governing Body Members .....	10
	Issue 3: Governing Body Meetings and Engagement with Stakeholders.....	11
	A. Should there be a Stakeholder Advisory Committee?.....	11
	B. Possible Funding for the BOSR.....	12
	C. The Role of Public Power and Federal Power Marketing Agencies .....	13
	Issue 4: Other Potential Areas for Governing Body Involvement .....	14
	Issue 5: Guiding Principles .....	14
	Issue 6: Other Potential Topics for Consideration .....	15
V.	Process for Approval of Proposed Changes.....	15
VI.	Schedule for Comments and Stakeholder Engagement.....	16

## I. Introduction

When the ISO proposed the Energy Imbalance Market (EIM) in 2014, various state interests, utilities that were considering whether to join, and other regional stakeholders wanted assurance that they would have a meaningful voice in decisions about the market rules. To address these concerns, the ISO Board of Governors appointed the EIM Transitional Committee, consisting of stakeholder representatives from across the West, to evaluate and recommend governance changes that would meet these needs within the parameters of the ISO's overall governance framework.

Through an iterative stakeholder process, the Transitional Committee developed the EIM governance we have today featuring the EIM Governing Body, which has been delegated part of the Board's authority to approve proposed changes to market rules. This structure has given stakeholders sufficient confidence in the EIM to enable extraordinary growth. When the Transitional Committee began its work, only PacifiCorp had committed to participate. Now, eight balancing authorities actively participate, representing 56% of the load in the Western Interconnection. Eleven more balancing authorities have committed to join, which will increase the percentage of Western Interconnection load in the EIM to 77%.

The EIM has provided significant benefits to its participants<sup>1</sup> and the EIM entities have estimated that additional benefits may be possible if participation in the ISO's day-ahead market is extended to EIM balancing authority areas.<sup>2</sup> For that reason, the ISO launched a comprehensive stakeholder process to evaluate that opportunity – the “Extended Day-Ahead Market” initiative (EDAM).

In order to adjust EIM governance as necessary to account for this significant growth and to facilitate possible further expansion through EDAM, the EIM Governing Body and the ISO Board of Governors concluded that another review of governance is warranted. They jointly established a new stakeholder committee, the EIM Governance Review Committee (GRC),<sup>3</sup> which they charged with developing, through a public stakeholder process, a proposal for revisions to EIM governance. This scoping paper is the GRC's first step in that process.

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<sup>1</sup> The ISO issues quarterly reports that estimate the value of these benefits in terms of cost savings, avoiding curtailments of renewable resources and displacement of carbon resources. Those reports are available [here](#).

<sup>2</sup> See the September 16, 2019 letter signed by 14 current and future EIM entities, available [here](#).

<sup>3</sup> Committee members are identified on the Governance Review Committee page of the Western EIM website, available [here](#).

This paper begins with background about EIM governance currently (Section II), followed by a discussion of the role of the GRC and its responsibilities (Section III). In Section IV, we identify a preliminary set of topics that the GRC currently expects to consider, based in part on comments that stakeholders offered in the initiative that led to the establishment of the GRC. For each topic, the section identifies key themes from the prior stakeholder comments and poses questions about what specifically the GRC should address. It also asks stakeholders to identify any additional topics that the GRC has not identified. On each topic, we are seeking input both on the specific issues we should address and, where applicable, substantive proposals for how the issue should be resolved.

The paper concludes with the schedule for submitting comments, and a description of the process the GRC proposes to follow in analyzing the issues identified and developing proposed EIM governance changes.

## **II. EIM Governance: Development and Documentation**

The Transitional Committee began its work by evaluating models through which the ISO Board could share its authority over market rules. Following a review of governance at other grid and market operators<sup>4</sup> and additional analysis, the Committee published an issue paper describing three conceptual models for sharing authority over market rules.<sup>5</sup> These models included 1) forming an advisory committee to the ISO Board, 2) governance through a separate corporate entity that would obtain EIM service through a contract with the ISO, and 3) amending the ISO bylaws to form a committee with delegated authority over market rules, along the lines of the EIM Governing Body.

After receiving stakeholder comments on the potential merits of each model, the Transitional Committee proposed<sup>6</sup> and then refined<sup>7</sup> a version of the third model – a formal body with independent members, to be selected by stakeholders with a vested interest in market outcomes, which would share authority with the ISO Board to approve proposed market rule changes. The Transitional Committee designed this delegation of authority to work within the legal structure underlying the ISO, including California statutes requiring that the ISO’s board members be appointed by the California Governor

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<sup>4</sup> Some of the Transitional Committee’s research is available [here](#) and [here](#).

<sup>5</sup> See the Transitional Committee’s January 5, 2015 issue paper, entitled “Conceptual Models for Governing the Energy Imbalance Market,” available [here](#).

<sup>6</sup> See the Transitional Committee’s March 19, 2015 straw proposal, entitled “Long-Term Governance of the Energy Imbalance Market,” available [here](#).

<sup>7</sup> See the Transitional Committee’s June 22, 2015 draft final proposal, entitled “Long-Term Governance of the Energy Imbalance Market,” available [here](#).

and confirmed by the California Senate,<sup>8</sup> oversee a bid-based electricity market,<sup>9</sup> and that this board must ultimately approve all amendments to the ISO's tariff.<sup>10</sup> The Transitional Committee also proposed formation of a Body of State Regulators (BOSR)<sup>11</sup> to provide advisory input to the Governing Body and participate in the process of nominating EIM Governing Body members, and finally, the establishment of a Regional Issues Forum (RIF) for stakeholders to discuss EIM and related market issues.

The Board accepted the Committee's proposal,<sup>12</sup> and implemented it through revisions to the ISO bylaws and by adopting several other Board-approved governing documents that are described in detail below. The bylaws<sup>13</sup> establish the Governing Body and preclude the Board from approving tariff amendments within the primary authority of the Governing Body without the approval of the Governing Body.<sup>14</sup> The bylaws do not define the scope of that authority, but rather delegate that definition to the Charter for EIM Governance, described below. The bylaws also specify members' terms of office and require that members must execute service agreements that establish legal obligations and protections similar to those of board members.<sup>15</sup> The bylaw provisions concerning the EIM Governing Body may be amended either by a two-thirds vote of the Board, or by a majority vote of both the Board and the Governing Body.<sup>16</sup>

The *Charter for Energy Imbalance Market Governance* ("Charter for EIM Governance" or "EIM Charter")<sup>17</sup> is the primary document detailing EIM governance. It establishes the scope of the EIM Governing Body's authority over market rule changes, defining

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<sup>8</sup> Cal. Pub. Utils. Code § 337.

<sup>9</sup> Cal. Pub. Utils. Code § 345.5.

<sup>10</sup> ISO tariff § 15.

<sup>11</sup> While the Charter describes it as the "Body of Regulators," it specifies that the membership will include state commissioners and the group uses the name "Body of State Regulators" or "BOSR."

<sup>12</sup> The Transitional Committee's proposal as presented to the Board, and related meeting materials are available [here](#).

<sup>13</sup> The bylaws are available [here](#).

<sup>14</sup> See Article IV.

<sup>15</sup> See Article IV, § 5. Corporate board members owe duties of loyalty and care to the corporation to perform the functions of a director, as reflected in Cal. Corp. Code § 5231.

<sup>16</sup> See Article IX, § 3.

<sup>17</sup> The currently effective version of the EIM Charter is available [here](#).

which proposed changes fall within its “primary” decisional authority. On a more fundamental level, the Charter details the EIM Governing Body’s mission and responsibilities, the administration of meetings and support from ISO staff. In addition, the Charter recognizes, and establishes the ISO’s relationship with, the BOSR and the RIF. While the Charter may be amended only by a vote of the Board, subject to advisory input from the Governing Body, the Governing Body has the right to initiate amendments to the sections concerning the Body of State Regulators and the Regional Issues Forum.<sup>18</sup>

*The Selection Policy for the EIM Governing Body*<sup>19</sup> (“Selection Policy”) establishes the process for identifying and selecting members of the Governing Body, subject to confirmation by the Governing Body itself. It provides selection criteria and creates a nominating committee of stakeholders that operates by the consensus of its five voting members and receives input from three advisory members. The Selection Policy also includes timelines and other process steps, with the goal of concluding the selection process before the terms of the sitting members expire.

The *Guidance Document*<sup>20</sup> addresses the process through which ISO staff proposes a decisional classification for policy initiatives, obtains stakeholder input on the proposed classifications and, ultimately, receives approval or other direction from the Board and Governing Body. This document also serves as an accessible, plain language explanation of the decisional classification rules.

The Selection Policy and the Guidance Document may be amended by majority vote of the Board, and both documents have been amended since they were adopted initially in 2015. In practice, the Board has obtained advisory input from the Governing Body before voting on proposed amendments.

### **III. The Governance Review Committee and its Mission**

The Transitional Committee’s proposal did not purport to be the final word on EIM governance, but rather recommended that, after gaining experience with the new governance structure, the ISO conduct a review. The Charter for EIM Governance assigns the Governing Body responsibility for deciding when to initiate “a review of EIM governance in light of accumulated experience and changed circumstances,”<sup>21</sup> provided that the review must begin by September of 2020.

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<sup>18</sup> See EIM Charter, § 8.

<sup>19</sup> The currently effective version of the Selection Policy is available [here](#).

<sup>20</sup> The current version of the document, entitled “Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body,” is available [here](#).

<sup>21</sup> See EIM Charter, § 2.2.4.

In the fall of 2018, the EIM Governing Body requested that ISO management begin a stakeholder process to decide whether to conduct such a review, and if so, what form the review should take. On December 14, 2018, the ISO posted an issue paper and straw proposal.<sup>22</sup> In that document, the ISO identified various potential topics that the governance review might consider, asked stakeholders for initial comments on which topics should be addressed and the process that should be used to complete the governance review. The ISO sought input specifically on whether a committee similar to the Transitional Committee should be established to assist in developing any proposed governance refinements for stakeholder review.

Based on stakeholder feedback, Management recommended that the ISO form a temporary advisory committee to the Board and the EIM Governing Body, patterned after the Transitional Committee, to conduct the required governance review process. In a joint meeting held June 28, 2019, the Board and the Governing Body adopted a charter<sup>23</sup> for the Governance Review Committee, directing the GRC to develop, through an iterative public stakeholder process, a proposal for potential refinements to the existing EIM governance, which the GRC will submit to the Governing Body and the Board for their joint consideration.<sup>24</sup> Among other things, the GRC Charter states that the committee should

- Focus exclusively on issues relating to governance, as opposed to market design or revision to market rules.
- Address two scenarios: changes to existing EIM governance, based on experience to date, and additional governance changes that may be warranted in connection with an Extended Day Ahead Market, or EDAM, that would allow Western balancing authorities to participate in the ISO's day-ahead market.
- Undertake a broad review that considers the scope and nature of the delegation of decisional authority to the EIM Governing Body, the process for selecting Governing Body members, and any other potential changes to how the Governing Body performs its work.

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<sup>22</sup> The straw proposal component involved an incremental expansion to the scope of the EIM Governing Body's authority to approve market rule changes. This change was broadly supported by stakeholders and by the EIM Governing Body, and was approved by the Board in March 2019. The Board materials relating to this proposal are available [here](#).

<sup>23</sup> The GRC Charter was amended once, in October 2019. The currently effective version is available [here](#).

<sup>24</sup> See GRC Charter, § 2.A.

- Generally seek, where possible, to build upon and refine the current structure, rather than adopting a completely new model.
- Consider potential changes with regards to how the ISO interacts with the BOSR, while recognizing that the BOSR is an autonomous body of governmental officials that is self-governed with its own processes and procedures.<sup>25</sup>

The GRC Charter also specified a process through which stakeholders, organized in sectors, nominate candidates and then rank all nominees. Stakeholders completed this over the summer and, in September, the Board and the Governing Body held a joint meeting to select the members.<sup>26</sup>

The GRC held its initial meeting on December 4, shortly after the EIM Governing Body meeting that day.<sup>27</sup> At that meeting, we decided to commence our work by publishing this scoping paper, which provides our preliminary view on topics we should consider and seeks stakeholder input on the scope and substance of the issues the GRC should consider.

#### **IV. Potential Topics for Review and Questions for Stakeholder Input**

The December 2018 issue paper identified, and sought stakeholder comment on, three broad categories of potential topics for inclusion in the governance review: (1) the scope and nature of the delegation of decisional authority for approval of market rules to the Governing Body and the decisional classification process; (2) the process and criteria for selecting Governing Body members; and (3) the stakeholder engagement process. Commenters generally expressed support for including these broad categories in the governance review and offered input on various specific issues that should be addressed within each area. The GRC also identified two more categories based on the prior comments, which are (4) whether the Governing Body should be involved in areas other than approval of market rules, and (5) whether the GRC should define guiding principles for this process and, if so, what should they be. The GRC proposes to cover each of these areas, and also asks (6) whether there are any additional types of changes that should be considered.

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<sup>25</sup> See GRC Charter, § 2.B.

<sup>26</sup> One more member was appointed in October for reasons explained in an October 8, 2019 memo to the Board and Governing Body, available [here](#).

<sup>27</sup> Materials from the meeting and other activities of the GRC are available [here](#).

Each of these categories is briefly discussed below. We have included a high-level summary of the key themes from prior comments,<sup>28</sup> as well as a set of questions about specific issues within each topic on which we are seeking stakeholder comment.

Stakeholders should feel free to reference or incorporate their prior comments on the December 2018 issue paper to the extent those comments continue to represent their current view. We do, however, encourage stakeholders to expand upon those comments where appropriate and to update them to address any issues that have come to the fore since that time – such as any changes in governance that are warranted specifically to support a successful EDAM.

To the extent stakeholders wish to include specific proposals for governance changes, the GRC welcomes those comments and also encourages stakeholders to explain what their proposed changes would be intended to accomplish.

In addition, we ask that stakeholders make clear whether a comment or proposal is specifically tied to the successful establishment of EDAM, or applies irrespective of whether EDAM is implemented.

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

### **A. The Scope of Delegation to the Governing Body**

As detailed in the Charter for EIM Governance, the Board has delegated to the Governing Body “primary authority” over proposals to change certain types of real-time market rules and “advisory authority” for any other types of market rules. In response to the December 2018 issue paper, some commenters suggested that this division of authority should be revised to give greater authority to the Governing Body. Some, for example, suggested that the Governing Body should have primary authority over changes to any rule of the real-time market, rather than just the subset of real-time market rules currently within its purview. Others suggested that, in the context of EDAM, the Governing Body should also have primary authority over proposed changes to some or all of the day-ahead market rules. Other commenters either expressed no opinion on these issues or supported the existing decisional classification rules.

The total number of comments submitted on this issue demonstrates that the scope of market rules that are delegated to the Governing Body is an important topic that the GRC should consider. We thus seek comment from all stakeholders on whether, and if so how, this current delegation should be changed.

- Are there any changes that should be made to the scope of delegation even if EDAM is not established? If so, what changes would stakeholders propose?

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<sup>28</sup> The full set of comments on the December 14, 2018 issue paper and straw proposal are available [here](#).

- Assuming EDAM does go forward, what impact does this have on the scope of market rules that should be delegated by the Board?
- Whether or not EDAM goes forward, should the scope of the Governing Body’s primary authority be defined with an objective “bright-line” rule that provides more definitive instructions than the current rules? (As structured today, a determination is based on whether a market rule is “EIM-specific” and on whether EIM is the “primary driver” for a proposal to change market rules.) If so, what should the more objective criteria be?
- Should there be a separate category of market rules for which the Board and the Governing Body both have equal authority to review and approve? Currently, rules that fall within the Governing Body’s primary authority go first to the Governing Body for review and, if approved, are then placed on the Board’s consent agenda for what is typically a more cursory approval process. Are there any types of rules that should instead require full consideration and approval by both the Governing Body and the Board? If so, what types of market rules should fall into this “joint approval” category?<sup>29</sup>

## **B. The Decisional Classification Process**

As noted, the Guidance Document sets forth the process for determining which matters are within the Governing Body’s primary or advisory authority. This is a public process that includes ISO Management making preliminary decisional classification determinations throughout the development of each policy initiative and seeking comments on an iterative basis from stakeholders on these preliminary determinations at each stage. Management also publicly reports at least quarterly to the Governing Body on the status of its ongoing stakeholder proceedings, including on the preliminary decisional classification for each proceeding.

At the conclusion of each stakeholder process, before any proposed tariff amendment is submitted for approval, management reports the proposed final classification to the chairs of both bodies, along with any stakeholder objections to the classification described on the draft final proposal. If the chairs of two bodies cannot agree on the final classification, the Guidance Document also sets forth a dispute resolution process.

In response to the December 2018 paper, several commenters recommended increased transparency with regards to any changes in the decisional classification determinations.

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<sup>29</sup> As discussed above, the Board and the EIM Governing Body used a joint approval approach in connection with approving the GRC Charter. In addition, the ISO plans to use this “joint approval” model to respond to the recommendations of this Committee. See Section V, below.

The GRC seeks further input on how this process for determining the decisional classification of initiatives is working and what, if any, changes would be recommended under EDAM.

- Are there any changes that should be made to the process through which ISO staff develops and seeks comment from stakeholders on preliminary classification determinations?
- Are there any changes that should be made to how the Governing Body is kept apprised of these preliminary determinations?
- Are there any changes that should be made to the decisional classification dispute resolution process set forth in the Guidance Document?
- What, if any, specific changes should be made to this process to enhance its transparency to stakeholders?
- Are there concerns with how the decisional classification rules have been applied to any particular initiative or the process through which a determination was reached?

### **C. The Process for Changing the Scope of the Delegation**

As noted, the Charter for EIM Governance defines the scope of issues delegated to the EIM Governing Body for its primary approval. Any changes to this delegation must be approved by the Board and must be presented first to the Governing Body for its advisory input.<sup>30</sup> This requirement was adopted in 2018-2019 following a public stakeholder process. Previously, the EIM Charter had stated only that amendments required approval of the Board.

The GRC seeks input on whether any further changes should be made to this amendment process, particularly in light of the potential establishment of EDAM. Some stakeholders suggested in their comments on the December 2018 issue paper that it should be more difficult to amend the EIM Charter and other governing documents so that regional market participants have greater assurance about the durability of EIM governance and the delegation of authority to the Governing Body, particularly in the context of EDAM.

- Would EDAM require enhancements to the durability of the delegation or are the existing requirements set forth in the Charter for EIM Governance sufficient?
- If enhancements are warranted, what form should those enhancements take?
- Are any changes warranted even if EDAM is not ultimately established?

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<sup>30</sup> See EIM Charter, § 8.

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

The Selection Policy sets forth the process and criteria for nominating and selecting the membership of the EIM Governing Body. This includes a process for establishing 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 a process for approving a slate of nominees. This selection process has taken place six times, to establish the initial membership and to fill vacancies as terms expire and other vacancies have arisen.

In light of experience to date, the December 2018 issue paper asked stakeholders for input on how the process was working and whether refinements should be considered. Although several stakeholders offered substantive comments in this area, most of the stakeholders did not directly address this issue in their comments. The stakeholders that addressed this issue proposed two revisions of the Selection Policy: making the representative of public interest and consumer advocate groups a voting member of the nominating committee, and revising the selection criteria to increase the consideration of geographic diversity and industry experience from different sectors. Commenters also proposed adding a 60-day holdover period after the terms of Governing Body members expire, in order to avoid vacancies, and re-examining the number of members and potentially expanding membership.

The GRC seeks further input about how the Selection Policy is working and what, if any, changes are recommended under EDAM. Key questions include:

- Are there any changes that should be made to the nominating committee structure or the process that it follows to identify and evaluate candidates for the Governing Body?
- Are there any changes that should be made to the qualifications and criteria that the Selection Policy directs the executive search firm and the nominating committee to consider when identifying and evaluating candidates for the Governing Body, including more explicit requirements of geographic diversity or diversity of sector experience among the members?
- Are there any changes that should be made to the process for reviewing and approving the slate of nominees that the nominating committee brings forward?
- Are there any other changes that should be made to the composition of the Governing Body, such as to the length of terms or the overall size of the body?

### **Issue 3: Governing Body Meetings and Engagement with Stakeholders**

The Governing Body typically holds seven public session meetings per year, with the meetings in most cases scheduled to take place a couple weeks before a meeting of the Board. This timing allows any input from the Governing Body on matters within its primary authority or advisory role to be shared with the Board at its next meeting.

Roughly half of the Governing Body's meetings take place in Folsom and half occur in other Western cities. The Chair of the Governing Body also typically attends the public session for each Board meeting, which provides an opportunity for the Chair to report on EIM-related matters.

The GRC seeks further stakeholder input on the Governing Body's processes. Key questions include:

- Are there any changes that should be made to the Governing Body's standard meeting processes?
- For example, should any changes be made to the frequency or timing of Governing Body meetings or to the subject matter covered in those meetings?
- Should any changes be made to the location of Governing Body meetings? Are meetings located outside Folsom helpful?

The Charter for EIM Governance directs ISO staff to provide support to two groups of stakeholders that engage with the Governing Body – the RIF and the BOSR. Based on the stakeholder comments received on the December 2018 issue paper and related developments, the GRC has identified several issues relating to those bodies that warrant further stakeholder input.

#### **A. Should there be a Stakeholder Advisory Committee?**

The RIF is a forum for stakeholders that convenes at least three times annually to discuss issues related to EIM.<sup>31</sup> Several commenters on the December 2018 issue paper advocated that the RIF should be converted into a formal stakeholder advisory committee.

The GRC seeks input on this possibility, specifically

- Should a representative stakeholder advisory committee be created? Please explain your reasoning.

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<sup>31</sup> The RIF Operating Guidelines are available [here](#).

- What would the role of the committee be? For example, an ongoing matter of discussion at the RIF is whether the RIF could, as a body, take positions on issues or produce written work products. We would like stakeholder feedback on these and related questions such as:
  - Should such a committee vote on positions?
  - What other mechanisms might a committee use to take positions?
  - What role should the committee have in providing input to the Governing Body and the Board of Governors?
- Who would be eligible to serve as members of that body, and how would its membership be established?
- What range of issues would the committee address?
- What would be the role of the committee in relation to the ISO's current process for obtaining stakeholder input on proposed initiatives, and how would that process change to accommodate a committee?
- Should a stakeholder advisory committee be formed even if EDAM is not ultimately created?
- If a stakeholder advisory committee were created, should it replace the RIF? If not, what should its relationship with the RIF be?

## **B. Possible Funding for the BOSR**

The BOSR is a group comprised of one commissioner from each of the state public utility commissions within the EIM footprint. The BOSR may provide input to the Governing Body on matters relating to EIM, and a representative serves on the nominating committee charged with identifying nominees to serve on the Governing Body.

In recent months, the BOSR has concluded that, in order to participate effectively in ISO processes, it needs additional technical expertise.<sup>32</sup> The BOSR notes that other RTOs fund support staff for their respective groups of state regulators through their grid

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<sup>32</sup> The BOSR entered into a memorandum of understanding with the Western Interstate Energy Board (WIEB) through which WIEB may provide staff, technical expertise and office space to support the BOSR's activities relating to EIM. The MOU contemplates that BOSR would receive funding from the ISO to support this work. The agreement and related information can be found on the website of the WIEB, [here](#). The ISO is not a party to the MOU and has not taken any steps related to the MOU's suggestion of funding.

management charges. The ISO currently supports the BOSR as provided in the Charter for EIM Governance.<sup>33</sup>

The GRC is considering whether it may be able to help provide insight on this request for additional funding. Because this question goes beyond structural governance issues,<sup>34</sup> the GRC may or may not be the appropriate group to resolve this question. Nevertheless, the GRC seeks stakeholder input on whether the ISO should provide funding to enable the BOSR to procure the expertise necessary to participate more effectively in the EIM processes. Key questions include:

- Is the ISO an appropriate source of funding for the BOSR? What other sources of funding could be available to the BOSR?
- How should the amount of funding be determined, initially and over time?
- For what specific activities should funding be available?
- What kind of oversight should be required?
- Should funding be available even if EDAM is not ultimately created?
- Should the GRC make a recommendation about this funding issue?

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

Various commenters representing public power recommended either expanding the membership of the BOSR to include representation of public power and the federal power marketing agencies, or otherwise forming another body to advise the Governing Body that includes representation of these interests. The latter possibility was raised by the BOSR itself.<sup>35</sup>

The GRC recognizes that a growing number of EIM entities and participants are publicly owned, including the federal power marketing agencies, and consequently have a

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<sup>33</sup> See EIM Charter, § 7.1 (The ISO will “provide the body with assistance and support to perform its functions,” including “education and information about the EIM,” “reimburse travel expenses incurred by one representative of each state commission to attend meetings” if requested, and assist the RIF “in communicating with stakeholders and coordinating meetings”).

<sup>34</sup> See GRC Charter, § II.B, p. 2 (“The GRC will focus exclusively on issues relating to governance and will not address other topics such as market design or revisions to existing market rules”).

<sup>35</sup> See the BOSR’s Draft Principles on Key Governance Topics, dated April 10, 2019, available [here](#).

different framework for governance and oversight than investor owned utilities and are not represented by the BOSR. Accordingly, it is important to consider the possibility of establishing a formal role for the governing bodies that oversee these participants. With that background, the GRC seeks input on the following issue:

- Should there be formal representation of the governing bodies that oversee public power and the federal power marketing agencies to the Governing Body? If so, what form should such representation take?

#### **Issue 4: Other Potential Areas for Governing Body Involvement**

Although most of the comments on the December 2018 issue paper fell within the three broad categories identified above, there were a few comments recommending additional areas where the Governing Body should potentially have a role. These comments recommended enhancing the Governing Body’s role with respect to development and approval of the annual policy initiative roadmap and potentially establishing a role for the Governing Body in the oversight of the Department of Market Monitoring (DMM) and the Market Surveillance Committee (MSC).

The GRC seeks comments from all stakeholders on these recommendations.

- What role, if any, should the EIM Governing Body have in establishing the annual policy initiative roadmap or with respect to the market monitoring function?
- Should additional resources be available to the Governing Body to assess market design and performance issues, such as a new market expert that is separate from DMM or MSC? Should any new resources be permanent or as-needed? How should such resources be funded?
- Do the answers to these questions depend in any way on whether EDAM is implemented, and if so how?

#### **Issue 5: Guiding Principles**

We note that the Transitional Committee began its work by identifying a preliminary set of criteria for the “successful implementation of EIM for current and future market participants,”<sup>36</sup> and seeking comment on those principles. The principles that the committee developed ultimately became the mission of the Governing Body as reflected in the Charter for EIM Governance, at least as those principles related to governance as opposed to either operations or the Transitional Committee’s responsibility to fulfill its own charter. Those guiding principles are:

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<sup>36</sup> EIM Transitional Committee Issue Paper, January 5, 2015, available [here](#), pp. 5-6.

- 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.

The GRC seeks comment on these principles.

- Should the GRC have guiding principles, beyond fulfilling its charter from the Governing Body and the Board?
- If so, should the guiding principles from the Transitional Committee, as stated above, be supplemented or modified?

### **Issue 6: Other Potential Topics for Consideration**

The five categories identified above reflect the GRC's initial thoughts about the scope of issues we should consider, based on the stakeholder comments. We recognize, however, that there may be other topics, of varying level of importance, which may be beneficial to address in this process. We thus request stakeholder comments on any other topics they may wish for us to consider and substantive proposals for how those issues should be resolved.

## **V. Process for Approval of Proposed Changes**

The GRC Charter states that our recommendations for changes to EIM governance will be considered jointly by the Board and the Governing Body.<sup>37</sup> While not formally defined in any of the governing documents, this means that the proposal must be fully considered and approved by both bodies in order to be adopted.

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<sup>37</sup> See GRC Charter, §.A.

## VI. Schedule for Comments and Stakeholder Engagement

Written comments will be due on February 21. Stakeholder comments will be a key input as we prepare a straw proposal. In addition to the questions posed in Section IV above, commenters may also address the timeline described below for this committee's work and its relationship to the timeline for EDAM market design<sup>38</sup> or to other processes that are viewed as relevant. Comments should be submitted to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).

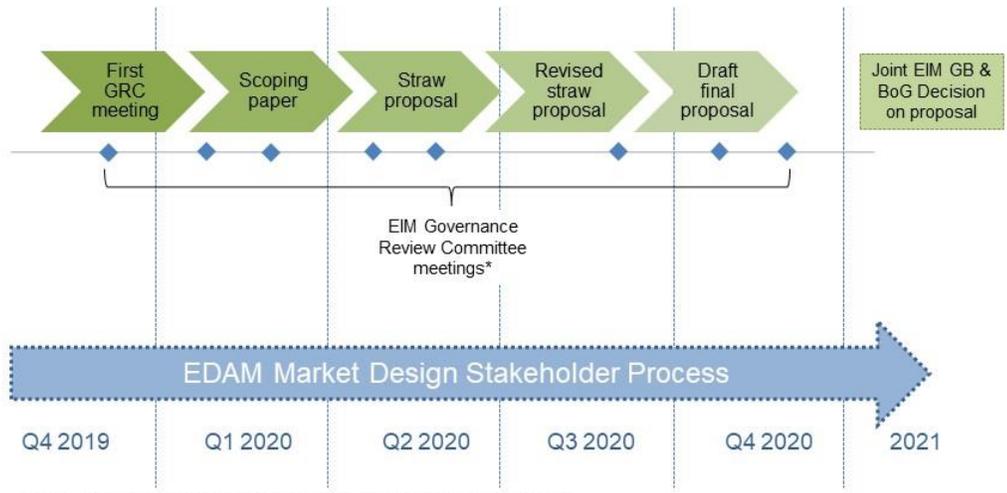
The GRC tentatively plans to meet as follows:

- Mar. 11, 2020, in Phoenix, AZ (morning)
- May 5, 2020 in Boise, ID (morning)
- Jun. 29, 2020 in Folsom, CA (afternoon)
- Sep. 15, 2020 in Seattle, WA (afternoon)
- Oct. 28, 2020 in San Diego, CA (afternoon)
- Nov. 5, 2020 in Folsom, CA (morning)
- Dec. 1, 2020 in Southern CA (morning)

Although the need for and format of these meetings is yet to be determined, the tentative dates are coordinated around other established events that typically attract regional stakeholders, such as meetings of the Governing Body or the Committee on Regional Electric Power Cooperation (CREPC). We are still working to develop a tentative schedule for further papers and stakeholder comments. That schedule will aim to produce an EIM governance proposal by the end of the year, as illustrated in this conceptual diagram.

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<sup>38</sup> A tentative timeline for EDAM market design is detailed on pages 18-19 of the issue paper, available [here](#).



\* Note that meeting dates are tentative and for general planning purposes only