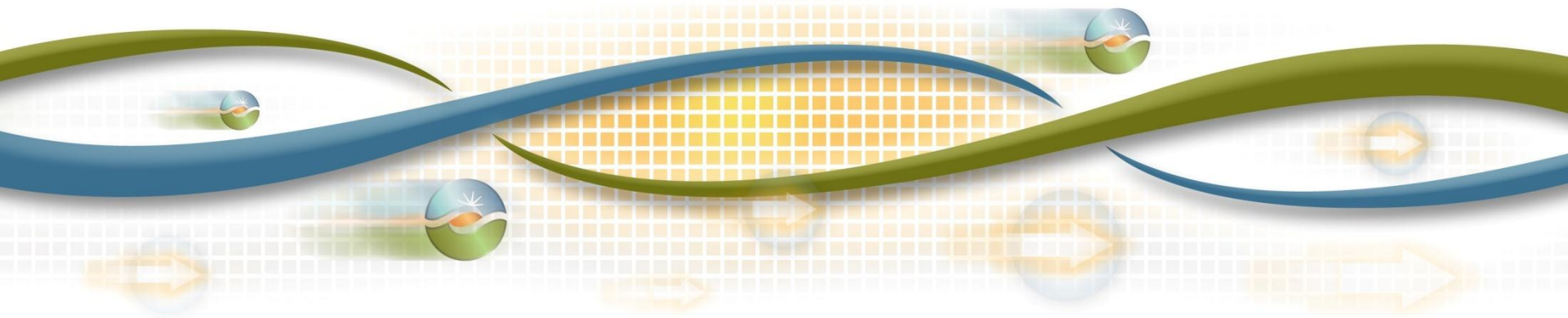


Update on governance developments for regional market expansion

Sarah Edmonds, Vice President, General Counsel, PacifiCorp
Transmission

Stacey Crowley, Vice President, Regional and Federal Affairs
February 10, 2016



Agenda and Introductory Remarks

- Updates
 - Governance for the Energy Imbalance Market (“EIM”)
 - Governance for a regional Independent System Operator (“ISO”)
- Key differences and distinctions between the two governance efforts will be highlighted throughout



GOVERNANCE FOR THE ENERGY IMBALANCE MARKET

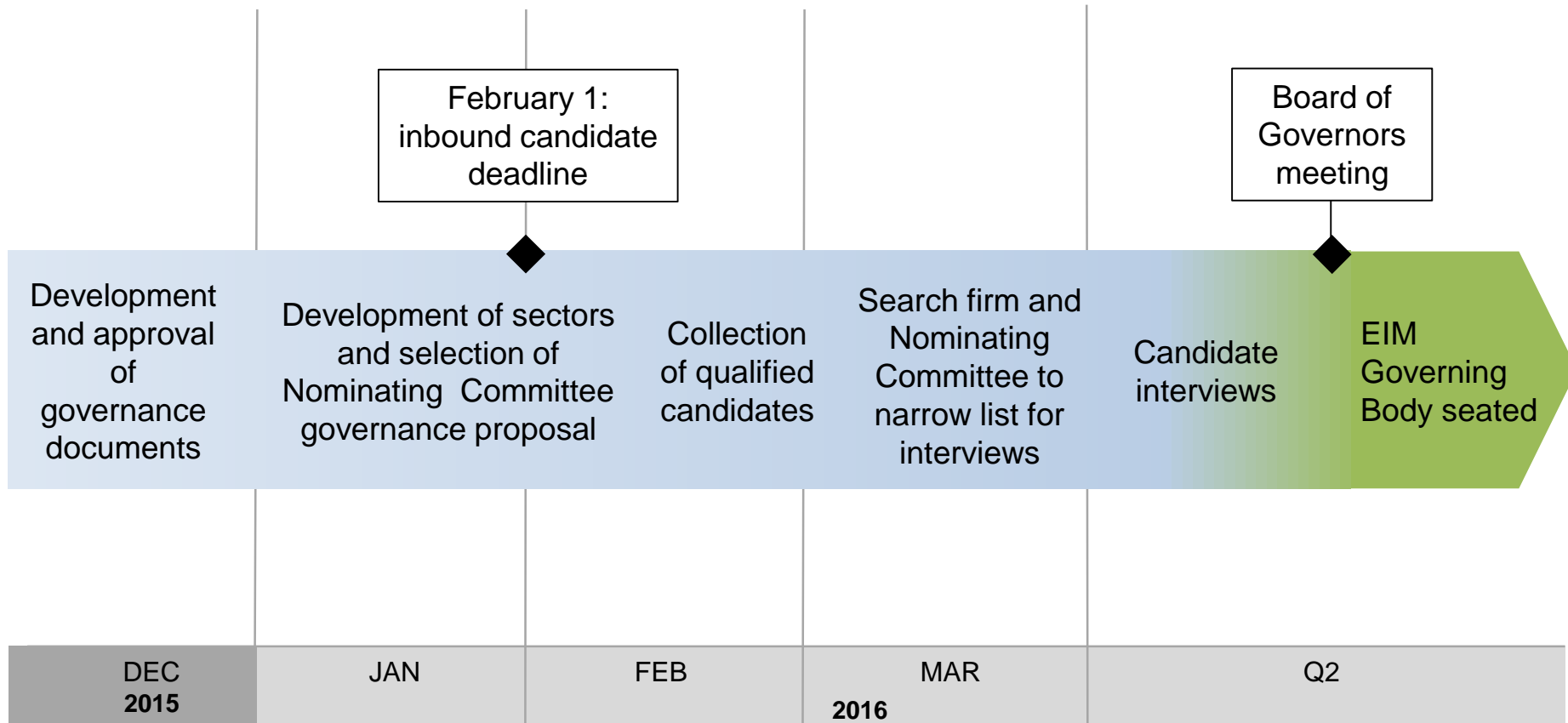
EIM Transitional Committee governance proposal approved and implementation underway

Through a public stakeholder process, committee developed a long-term structure for EIM governance.

Proposal elements:

- 5 independent (non-stakeholder) members
- Delegated authority over EIM-related market rules
- Candidates selected by stakeholder nominating committee, approved by ISO Board
- Body of state regulators – to advise EIM Governing Body and ISO Board on matters of interest
- Regional Issues Forum – public vehicle for discussion of EIM-related issues, including impacts to neighboring balancing authority areas

Process for selection of EIM Governing Body





GOVERNANCE FOR A REGIONAL ISO

SB 350, Clean Energy and Pollution Reduction Act of 2015

Requires the ISO to prepare proposed governance modifications and to study impacts to a regional market.

Provides for the transformation of the ISO into a regional organization.

- Promote the development of regional electricity transmission markets in the western states
- Must be in the best interests of California and its ratepayers
- Maintain standards for open meetings and public access to corporate records
- Prepares a report every two years for the affected states documenting its furtherance of applicable state and federal laws and regulations

SB 350 studies will determine the overall benefits to ratepayers including:

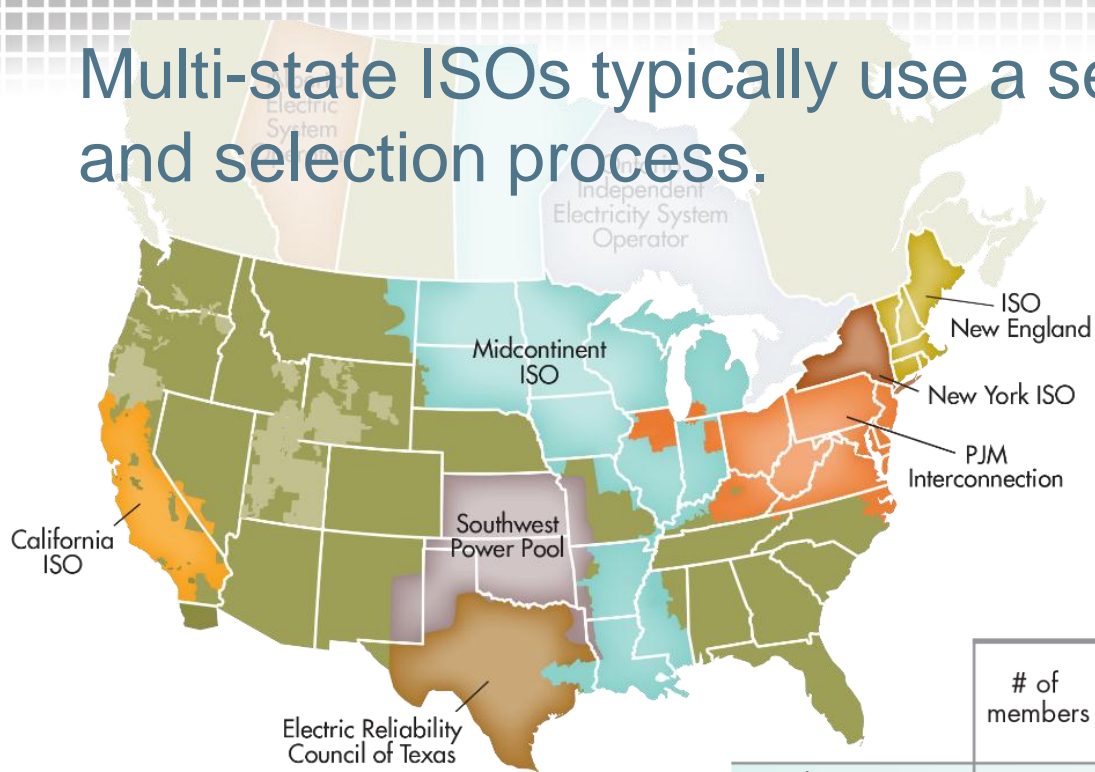
- The creation and retention of jobs and other benefits to the California economy
- Environmental impacts in California and elsewhere
- Impacts in disadvantaged communities
- Emissions of greenhouse gases and other air pollutants
- Reliability and integration of renewable energy resources

Proposed governance modifications and results of studies will be presented at public workshop with CPUC, CEC and CARB

Regional ISO governance guiding principles

- Compliance with state's lawful policies within ISO region, maintain public processes (open meetings, records availability, stakeholder processes, etc.);
- Board members who are independent of market participants and other stakeholders, seven to eleven board members;
- Preference for Western backgrounds; board as a whole should have diverse experience and expertise; and
- The board selection process designed to meet the needs of all states within the ISO region.

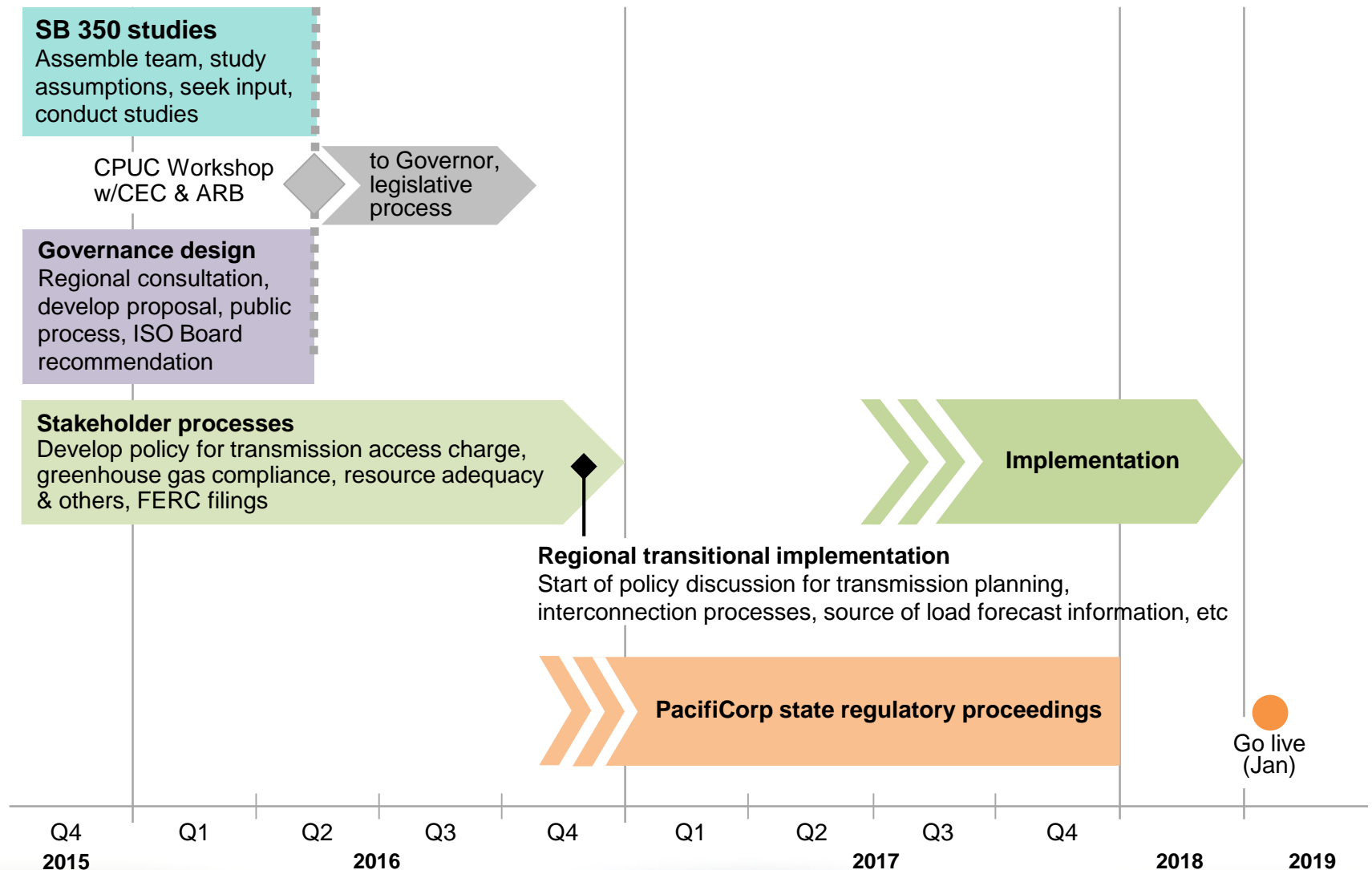
Multi-state ISOs typically use a sector based nominating and selection process.



	# of members	Selection Process			
		Selected by nominating or governance committee	Elected by membership	Selected by existing directors & stakeholder sections	Selected by governor
Midcontinent ISO (15 states)	9		X	X	
PJM Interconnection (14 states)	9	X	X		
Southwest Power Pool (8 states)	7		X	X	
ISO New England (6 states)	9	X	X		
New York ISO	10			X	
Electric Reliability Council of Texas	16			X	
California ISO	5				X

Current timeline for regional integration activities

Note: Timeline designed to allow PacifiCorp to obtain state regulatory approvals before the end of 2017



EIM v. regional ISO governance – key distinctions

- EIM Governing Body will have *delegated* authority from the ISO BOG over EIM-related market rules
 - The governing board for a regional ISO will have primary authority over *all* market rules and ISO functions
- EIM Governing Body will be in place by summer 2016
 - Regional ISO governance is dependent on change to CA statute but targeted to be in place sometime in 2018
- Both governing bodies will be regionally diverse; not California-centric
- Continuation or modification to the EIM Governing Body following establishment of a regional ISO is yet to be determined

ISO web resources for background information on EIM governance

- EIM governance documents reviewed and approved by Board of Governors in December 2015
 - <http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=C5C32B61-4426-45DF-8E4A-2479C2112656>
- EIM governance proposal reviewed and approved by Board of Governors in September 2015
 - <http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=0FF03005-21A2-44AB-98C3-83141B01383D>
- EIM governance development page
 - <http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarketGovernanceDevelopment.aspx>

Regional Integration Online Resources

www.caiso.com

Regional Energy Market webpage

<http://www.caiso.com/informed/Pages/RegionalEnergyMarket/BenefitsofaRegionalEnergyMarket.aspx>

Stakeholder Processes webpage

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Default.aspx>

ISO Public Calendar

<http://www.caiso.com/Pages/Calendar.aspx?IsDlg=true>

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