

Energy Imbalance Market Governance Proposal Comments

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Company	Date	Submitted By
Arizona Public Service (APS)		

Arizona Public Service (“APS”) appreciates the California Independent System Operator’s (“CAISO”) willingness to create an alternative Governance structure for the Energy Imbalance Market. It is important for EIM participants to have a method to have input into market design details prior to CAISO filing tariff changes at FERC. The proposed structure will give non-ISO participants the opportunity for input and the chance to work through details before they are submitted to the formal approval processes.

The logistics of operation of the EIM are very complex. It takes all stakeholders’ input to make sure the fine details work in conjunction with CAISO rules, as well as within the bi-lateral market outside the ISO. By working collaboratively on these details, a better market structure will result. Even though a lot of thought and effort has gone into the EIM design, fine tuning will need to occur in the future. The governance structure provides a reasonable approach to improve the market over time.

APS believes that the two step process for evolving the governance model makes a lot of sense. Having Transitional Committee members work on the details of the ultimate solution is a good concept. APS believes that creating a solid framework and using market representatives to produce a final model is better than trying to rush into a final design, only to find out later that it has to be changed.

APS also supports and agrees with the comments submitted by Salt River Project.

ISO Response

Thank you for the feedback.

Company	Date	Submitted By
Balancing Authority of Northern California (BANC)	9/6/2013	Jim Feider, General Manager

Do you support the roles identified for the transition committee?

Given the initial stages of this discussion, BANC’s comments are necessarily preliminary in nature. However, BANC is concerned that the Transitional Committee will lack the opportunity to have a meaningful say on market issues. Based on BANC’s understanding of the Proposal, the Transitional Committee would not be in place until after key market design issues are resolved. BANC suggests that the Transitional Committee have a say in design choices that will be made prior to EIM start up. It seems reasonable that key market participants from the West be able to have a formal say on these matters. Otherwise, on implementation matters, the Transitional Committee would be relegated to an advisory role on software and market simulation issues. While important, the CAISO proposal misses a key opportunity for input that could improve the EIM design and the chances of success therefore.

On long term governance, there is not enough detail yet on how any independent EIM

Governance structure could be developed to provide meaningful comment at this time.

ISO Response

Initial market design issues will be resolved through the already existing ISO stakeholder process. The Transitional Committee will have the ability to provide input on any changes to the market design as it gains experience with the EIM. The ISO encourages participation in its stakeholder processes by all interested parties. We suggest that interested parties take advantage of the existing comprehensive stakeholder process established by the governing board in March 2013 to work on market design.

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

Do you support the sector definitions and the nomination and ranking process for the transition committee?

BANC is concerned that the process as outlined could be unwieldy and unworkable; the Proposal therefore requires further discussion and development. For the publicly-owned utilities specifically, there are approximately 300 municipal systems in the Western Interconnection, not including cooperative utilities and federal agencies. The size and characteristics of these entities is extremely diverse. Further, entities inside the CAISO BA may have different interests than those outside. Organizing this segment a la the CAISO Board selection process would be a significant challenge. If this effort is undertaken, then some commitment from the CAISO Board to honor the selection preferences is appropriate, rather than an open ended process with no accompanying requirement that the Board seat sector members.

ISO Response

The governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee. Additional information regarding the nomination and selection process can be found in the revised white paper and draft charter.

It is important to note that a goal of the Transitional Committee is the overall task of developing a long-term independent governance structure. As such, the Transitional Committee membership demands high competencies and it demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

Do you support the number of members in the transition committee and its composition?

Given our response to Question 2 above, BANC believes at this time that 7 seats may be too few. The breadth of interests the CAISO is attempting to capture, more seats may be required. Since the Transitional Committee is simply advisory, expanding the size of the Committee should not present an obstacle to advising the Board on EIM Start-up.

ISO Response

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

BANC has no comment on this issue at this time. A general guiding principle should be that the EIM governance should reflect the ultimate purpose, role, and configuration of the EIM itself. It is not clear to BANC at this time the exact nature of the relationship between the EIM Board and the CAISO Board on issue such as market design, tariff administration, monitoring, and costs.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. The draft Transitional Committee charter, published October 4, 2013, provides further detail on the role of the Transitional Committee.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

A more timely and detailed description of the role of the Transitional Committee, and its ability to have meaningful input on the EIM design before it that design is finalized.

ISO Response

As stated above, the purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. Also stated above, we suggest that interested parties take advantage of the existing comprehensive stakeholder process established by the governing board in March 2013 to work on market design. <http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarket.aspx>

Other comments

To articulate more fully a point alluded to above, BANC believes the CAISO Board discretion should be limited in how it populates the Transitional Committee. In order to make the CAISO's commitments to diverse representation meaningful, the Transitional Committee should have sector representation.

ISO Response

The ISO Board will have discretion as to the final decision related to the selection of the Transitional Committee but will give weight to the sector ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

The governance proposal does not specify that each sector will have representation on the Transitional Committee. The proposal suggests that the Transitional Committee be composed of both highly qualified and geographically diverse group of participants. The charter will give the Board discretion to ensure that geographical diversity occurs.

Company	Date	Submitted By
California Municipal Utilities Association (CMUA)	9/6/2013	Tony Braun

Do you support the roles identified for the transition committee?

As currently envisioned, all key design issues would be addressed and resolved, and possibly subject to a FERC order, before the Transitional Committee is seated. However, the Transitional Committee could provide more meaningful input into the initial design elements of the EIM if it were seated as the design is still being solidified. Advance input from the Transitional Committee can give the CAISO Board more input on some of the key design choices that will impact success or failure of the EIM. Consistent with the calls from PG&E and other stakeholders, a more deliberate design process on the front end of the EIM could bring into alignment the governance and design portions, and provide the Transitional Committee meaningful input to the CAISO Board at the same time.

ISO Response

Initial market design issues will be resolved through the already existing ISO stakeholder process. The Transitional Committee will have the ability to provide input on any changes to the market design as it gains experience with the EIM. The ISO does encourage participation in its stakeholder processes by all interested parties. We suggest that interested parties take advantage of the existing comprehensive stakeholder process established by the governing board in March 2013 to work on market design.

<http://www.aiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarket.aspx>

Do you support the sector definitions and the nomination and ranking process for the transition committee?

CMUA is concerned that fully representing sectors with broad and diverse stakeholder interests may prove unwieldy. For example, based on anecdotal evidence, there are nearly 300 public power systems in the West, not counting cooperatively owned utilities

and federal systems. Putting together from scratch a process of identifying them and organizing the group into a “sector” that would help guide this process seems a significant challenge. More discussion and delineation on how the ISO anticipates this process to work is therefore warranted.

If undertaking the challenges associated with these elements of the governance proposal leads to robust sector representation, we would view the potential benefits of the process to be worth the significant effort. However, as CMUA understands the Proposal, the ISO Board would have discretion to pick from a broad pool assembled by the sectors, but have no obligation to pick representatives from each of the identified sectors. This discretion is unnecessarily broad, and inconsistent with the stated goal to ensure diversity of representation of the various sectors on the Transitional Committee.

ISO Response

The governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board’s selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations). An important goal of the Transitional Committee is the overall task of developing a long-term independent structure. As such, the Transitional Committee membership demands high competencies and it demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

Do you support the number of members in the transition committee and its composition?

CMUA believes the sector identification is a workable starting point. We are concerned, as stated above, with how unwieldy the process might be for sectors with broad and diverse representation.

ISO Response

Thank you for your response.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

It is too soon to tell. While “independence” as a concept may be supportable, it will be difficult to assess the efficacy of the proposals in Section 5 without further detail about what the EIM will look like, and the extent of the authority of any new EIM governing structure.

ISO Response

Thank you for your response, and we look forward to your feedback during the

Transitional Committee's stakeholder process for its governance proposal.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

CMUA does not have any comments at this time, as it is difficult to address the details of a conceptual proposal. However, see the response to #6 below.

ISO Response

Thank you for your response.

Other comments

Yes. The roles, responsibilities, and obligations of the members of the Transitional Committee should be delineated up front. It is reasonable to require that Transitional Committee members be committed to successful implementation of the EIM. At the same time, as industry participants, Transitional Committee members can be expected to have, and advocate for, certain substantive positions on key market design issues. Can a Committee member fulfill the expected role, while actively involved in any ongoing design efforts, or FERC proceedings, on EIM issues? The rules that govern the activities of the Transitional Committee members need to be articulated with great specificity up front so that there are not misunderstandings that would harm this process.

ISO Response

An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

Having a diverse membership and establishing fair operating procedures should provide a constructive environment where both majority and minority opinions can be heard.

Company	Date	Submitted By
California Public Utilities Commission (CPUC)	9/10/2013	Alan Meck, Candace Morey, and Luisa Elkins

Do you support the roles identified for the transition committee?

CPUC staff is concerned that as written, the Transitional Committee's charter to develop an independent governance structure does not provide a transparent and robust opportunity for CAISO stakeholder input on this extremely important function, and allowing the Transitional Committee to present its governance structure to the CAISO Board without vetting by the stakeholders may exceed the authority granted to advisory committees under the CAISO bylaws. Rather than having a Transitional Committee develop a proposed independent EIM governance structure for submission to the CAISO Board, the proposal should be developed through the CAISO's normal stakeholder

process and presented by CAISO management, with opinions and input to be provided by the Transitional Committee. The CAISO should not give short shrift to the governance issue. There needs to be a transparent and robust process for creating the permanent EIM structure.

The CPUC Staff is unclear if having the Transitional Committee develop and present the permanent governance proposal is consistent with the CAISO's bylaws for advisory committee. The Transitional Committee is to be set up as an advisory committee under the existing CAISO bylaws, but the bylaws do not expressly allow for advisory committees to submit proposals to the ISO Board for approval. According to the CAISO bylaws, "[a]dvisory committees have no legal or expressed authority to act for the Corporation, but shall report their findings and recommendations to the Governing Board or Committee of Governors thereof." The CPUC staff is not certain if the CAISO considers proposed tariff amendments to be a "recommendation", or whether other advisory committees have developed and submitted a proposal for a vote by the CAISO board in the past. Rather, the CPUC staff supports the CAISO following a process in which the advisory committee submits its opinions to the board on a governance proposal that is developed pursuant to the CAISO's typical stakeholder process and submitted by the CAISO management. Accordingly, the CPUC recommends that the CAISO should delete the portion of the proposal that provides the following:

"The Transitional Committee charter will provide some basic guidelines and parameters for such an EIM governing structure, but only at a very general level. Major policy and design aspects of the proposal will be for the Transitional Committee to develop through its own process. The proposal developed by the committee for an independent EIM governing structure will be submitted to the ISO Board for consideration and approval."

Instead, the CAISO should structure the Transitional Committee to perform the first-envisioned role of advising the Board as to its position on ISO-management developed proposals relating to the EIM and specify that the EIM governing structure will be developed through the usual CAISO stakeholder process.

ISO Response

The Transitional Committee will operate consistent with the open and transparent stakeholder processes currently conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee, but will operate a process similar to the ISO's with draft papers, open stakeholder meetings, and appropriate comment periods. The ISO believes that this open stakeholder process will allow the Transitional Committee to develop its majority (and minority if appropriate) opinions for the discussion with the board. And consistent with the ISO process, other stakeholders will also have the ability to address the board. This open process will help all parties have a voice in the efforts. It could be that the Transitional Committee desires the ISO staff to manage the stakeholder process as directed by the Transitional Committee. For the near-term work relating to EIM market simulations, start-up and initial operation, it may be preferred for the Transitional Committee to participate as part of the ISO stakeholder processes for expediency.

The bylaws grant the ISO Board authority to create advisory committees, such as the

Transitional Committee, to advise it on any matters it considers relevant. The Transitional Committee charter will provide more detail regarding the Transitional Committee's scope of work. The bylaws do not limit an advisory committee as to what or how it recommends to the Board. Moreover, the bylaws do not require the ISO to be the exclusive entity that can bring decisional matters to the Board.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

No comment at this time.

ISO Response

Do you support the number of members in the transition committee and its composition?

No comment at this time.

ISO Response

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

The EIM Governance structure is critical part of the larger EIM initiative, as it will determine how the EIM will be run, who is elected to govern, and because it is intended to operate as an entity that is separate from CAISO, PacifiCorp, and any others who may choose to join in the future. The intent is to allow EIM participants and EIM participating resources to have a role in the decision-making of EIM. Staff is concerned that the CAISO is not providing sufficient time and process for a robust and transparent development of the independent governance body. Governance is a critical issue and the structure needs to be carefully crafted with robust stakeholder input and comment on the various proposals; it should not reflect only the views of the transitional committee members. Accordingly, the CPUC staff recommends that the CAISO revise the proposed second role of the Transitional Committee to allow the EIM governance proposal to be developed through a traditional CAISO stakeholder process, with input and opinions provided by the transitional committee members.

ISO Response

As stated above, the Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The charter for the Transitional Committee will describe the open and transparent process for the development of an independent structure, which will include draft papers, open stakeholder meetings, and appropriate comment periods.

The ISO believes that the Transitional Committee, with the assistance of ISO staff, can accomplish the development of an independent EIM structure proposal to the ISO Board in the time allotted, and it is important that it do so. If necessary, the Transitional Committee can adjust the schedule to allow for unforeseen issues. All stakeholders will have opportunities to provide input and engage with the Transitional Committee.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

If the CAISO decides to maintain the Transitional Committee as currently proposed, then the CAISO should provide confirmation that this role is legally appropriate for an advisory committee and to provide examples of other instances where advisory committees have played such a role in developing and submitting an actual proposal for a vote by the CAISO board.

The CAISO should also specifically require the Transitional Committee to follow the general structure of a CAISO stakeholder process while developing the proposal in order to ensure sufficient stakeholder participation in the development of the final governance proposal. The current proposal does not describe any process for how the Transitional Committee will develop the final governance structure, and there is no explicit guarantee that the Transitional Committee engage with stakeholders to develop the final proposal for the independent governance structure. Rather, the CAISO should require transparency and continued stakeholder engagement as the committee works towards a final proposal. Having the opportunity to comment on the Transitional Committee alone, twice, at the beginning of a two-year long process, is not concrete enough to say that there has been sufficient input from stakeholders.

ISO Response

As stated above, the bylaws grant the ISO Board broad authority to create advisory committees, such as the Transitional Committee and the Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO.

A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

Other comments

ISO Response

Company	Date	Submitted By
Grant County PUD	9/6/2013	Mike McClenahan

Do you support the roles identified for the transition committee?

ISO Response

Do you support the sector definitions and the nomination and ranking process for the transition committee?

The whitepaper describes a process for screening stakeholders that would be allowed to

participate in the sector nomination process for the selection of Transition Committee members. For a stakeholder to be qualified to participate, they would need to have “participated in the ISO’s markets since 2009”. Thus the screening process seems to be certain to select only current CAISO Scheduling Coordinators. Since the formation of EIM represents an expansion of the CAISO footprint beyond its’ current boundaries, the CAISO should relax the market participation requirement to be more inclusive of stakeholders who may not have been recent participants in the CAISO market, but have an interest in EIM participation and whose viewpoints would represent a more geographically diverse demographic than today’s CAISO stakeholder group. Expertise in CAISO matters is important, but where the goal is to expand into new territory, ISO should be looking for less familiar faces who will bring unique concerns from their regions.

ISO Response

The ISO will delete the requirement that a stakeholder must have participated in the ISO market since 2009 to qualify for a nomination to the Transitional Committee. Instead we seek stakeholders in the Western Interconnection with a specific interest in the energy imbalance market.

Do you support the number of members in the transition committee and its composition?

ISO Response

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

The CAISO whitepaper focuses on the requirement for the EIM governors to be independent of market participants. But there is another aspect of independence; that is the ability of an EIM governance structure to use the authority delegated to it to have a measure of independence from the CAISO Board in governing the EIM and pursuing the interests of the EIM participants even when this diverges from the current CAISO Boards views. Ultimately, meaningful governance opportunities for new EIM participants would mean that they have a real measure of control over the rules surrounding their participation. The CAISO recognizes this early in their paper when they discuss allowing EIM participants to have “a meaningful decision making role”. Yet when discussing delegated authority, the CAISO states that any such delegation to new EIM participants “cannot create the potential for dueling filings at FERC”. These goals seem to be incompatible. The CAISO needs to recognize that truly independent governance, derived from delegated authority of the current CAISO Board, in this new EIM market and footprint could lead to some disagreement and that could be healthy for the organization. Resolving this tension in delegated authority will be a key task of the Transition Committee.

ISO Response

The Transitional Committee will be developing a proposed independent EIM governance structure, and as part of that will need to consider the specific delegated authority.

Consistent with the principles set forth in the initial governance proposal, that structure cannot create the potential for dueling filings at FERC, and thus the Transitional Committee will need to consider, depending upon the proposed structure, whether a conflict resolution procedure is appropriate.

A guiding principle for the ISO's governance proposal is the governance structure should promote the successful implementation of EIM. Because successful implementation depends upon broad participation in EIM, the ISO Board will have a strong incentive to properly consider all interests rather than elevating any one entity or interest over another. The ISO believes that the best way to achieve a balanced presentation of these interests to the Board will be through the stakeholder process combined with the efforts of the Transitional Committee.

Other comments

Grant questions the scheduled proposed for forming the Transition group and sees its' formation as being too late to be impactful. In the EIM work plan, the CAISO EIM filing at FERC is set for "no later than February 28th, 2014"; PAC's EIM FERC filing is set for "no later than March 31, 2014". Apparently, both could be made earlier than those dates. The Transition Committee is not going to be formed until April 2014; at least one full month after the implementation details of the CAISO's EIM expansion is filed at FERC; and perhaps only one month before the requested effective date for CAISO tariff changes. The PAC EIM will doubtlessly become the template for future CAISO footprint expansions, therefore the Transition Committee needs to be formed and up to speed well in advance of the tariff filing dates in order for it to effectively exercise any sort of governance at this foundational stage of EIM development. At a minimum, the tariff filings should be delayed until the Transition Committee has had at least two months to review them and comment.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. Initial market design issues will be resolved through the already existing ISO stakeholder process. The Transitional Committee will have the ability to provide input on any changes to the market design as it gains experience with the EIM. The ISO encourages participation in its stakeholder processes by all interested parties.

Company	Date	Submitted By
Iberdrola Renewables	9/6/2013	Laura Beane

Do you support the roles identified for the transition committee?

Iberdrola supports the proposed formation of a Transitional Committee and the identified roles are appropriate. Clarification of how the Transitional Committee process will interact with the traditional stakeholder process would be helpful. Specifically, will the recommendations of the Transitional Committee to the ISO Board be deemed as a representation of all stakeholders or will there be an opportunity for stakeholders outside

of the Transitional Committee to have input on the proposed recommendations?

ISO Response

The Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee. For the long term effort to develop the independent structure, the Transitional Committee will operate a process similar to the ISO's with draft papers, open stakeholder meetings, and appropriate comment periods. The ISO believes that this open stakeholder process will allow the Transitional Committee to develop its majority (and minority if appropriate) opinions for the discussion with the board. And consistent with the ISO process, other stakeholders will also have the ability to address the board. This open process will help all parties have a voice in the efforts. It could be that the Transitional Committee desires the ISO staff to manage the stakeholder process as directed by the Transitional Committee. For the near-term work relating to EIM market simulations, start-up and initial operation, it may be preferred for the Transitional Committee to participate as part of the ISO stakeholder processes for expediency.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

Iberdrola supports the existing sector definitions and ranking process but would not be opposed to splitting the government agencies and public interest entities into separate sectors and creating an eight member Transitional Committee.

ISO Response

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

Do you support the number of members in the transition committee and its composition?

The number of members in the transition committee and its composition seem appropriate. As expressed above, Iberdrola would not be opposed to designating government agencies and public interest entities as separate sectors if representatives from those entities feel it is necessary.

ISO Response

As stated above, the ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process and the proposal will be modified such that the Transitional Committee will have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

Iberdrola supports the proposed process for development of the independent EIM governance structure. A fully independent structure will be critical to enable maximum participation from eligible entities in the long-term.

ISO Response

Thank you for your response.

Other comments

Iberdrola commends the CAISO for its diligent efforts to engage stakeholders in the development of its Energy Imbalance Market governance structure and looks forward to actively participating in the process.

ISO Response

Thank you for your response.

Company	Date	Submitted By
Interstate Renewable Energy Council	9/6/2013	Kris Mayes, The Kris Mayes Law Firm

The Interstate Renewable Energy Council (IREC) appreciates this opportunity to comment on the California Independent System Operator's (CAISO) Energy Imbalance Market Governance Proposal. Without doubt the governance structure of the proposed EIM will be one of its most critical components and will determine to a large extent whether the EIM is able to broaden its base and expand outside of the currently envisioned CAISO/Pacificorps footprint. IREC would very much like to see a sound and successful EIM eventually operate with the participation of multiple states in the West, as nearly every study conducted to date has demonstrated the benefits of an EIM to nearly every state and most Balancing Authorities, particularly where the EIM is broadly inclusive. Key to bringing multiple states and BA's into the EIM will be the degree to which those states and entities view the governance structure as inclusive of their interests. As such, IREC appreciates the focus that CAISO has placed in its proposal on geographic diversity and we recommend through our comments heightening that focus further.

ISO Response

Thank you for your response.

Regional diversity should be given additional weight on the Transitional Committee

Great care should be taken by the ISO Board when making its selection to appoint a Transitional Committee that is as widely representative of all regions where the EIM may eventually operate as possible. To this end, the ISO should consider expanding the Board to nine Members in order to accommodate one additional public interest group member and one additional state agency member. In having a single member from each of these categories, the ISO may fail to incorporate adequate geographic diversity into its

Transitional Committee and governance structure. By increasing the number of state agencies and public interest representatives, the ISO almost ensures that multiple states outside of the CAISO footprint will be represented, increasing the chances of expanding the overall footprint of the EIM by encouraging the participation of non-CAISO states. Maintaining a nine member committee would, like a seven member committee, also allow for a voting regime that avoids having to institute a tie breaking mechanism.

ISO Response

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC. Additional information regarding the nomination and selection process can be found in the revised white paper.

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

The governance proposal does not specify that each sector will have representation on the Transitional Committee. However, each sector will have its own process for nominating and ranking nominees to bring to the ISO Board. The proposal suggests that the Transitional Committee be composed of both highly qualified and geographically diverse group of participants. The charter will give the Board discretion to ensure that geographical diversity occurs.

Some Transitional Committee meetings should be held outside CAISO footprint

The ISO and the Transitional Committee should endeavor to occasionally hold meetings outside of the CAISO and Pacificorp footprint in order to encourage additional Balancing Authorities to join the EIM, and to offer visibility into the EIM effort to state regulators and stakeholders whose understanding and approval of the EIM effort will be necessary in order for expansion to occur.

ISO Response

The governance proposal does not specify where Transitional Committee meetings may be held but anticipates providing for alternative meeting locations so that the Committee can meet as needed while minimizing travel for the Committee members and other interested parties. The proposed charter will permit the Transitional Committee to select meeting locations, and it could, for example, rotate meeting locations based on travel convenience, and even hold telephonic meetings. The meetings must be public in accord with the ISO's Open Meeting Policy, except for closed executive sessions where confidential, proprietary, or security-sensitive information is being discussed.

CAISO should conduct aggressive outreach to state commissions, Governors and stakeholders

In order to ensure that the Committee has a diverse and representative membership, the

ISO should initiate a communications effort that makes state Commissioners, their staffs, state Energy Officers, and other non-CAISO stakeholders aware of the existence of the opportunity to serve on the Transitional Committee, in addition to the EIM Proposal itself. Each PUC and Energy Office in the West should be aware of the opportunity to help shape the direction of this important new market. In doing so, the ISO betters its chances of widening the scope of the EIM beyond the currently envisioned market.

ISO Response

If this governance proposal is approved at the December governing board meeting, the ISO plans to issue communications through its normal market notice process and will also request assistance from the PUC-EIM group to assist further with notices to their mailing list.

The ISO stakeholder process, including the EIM initiative is an open and transparent process which includes posting of all relevant documents on the webpage dedicated to these issues. In addition, further outreach has and will continue to take place to inform regional stakeholders of the process and encourage their participation.

Company	Date	Submitted By
Natural Resources Defense Council (NRDC)	8/28/2013	Carl A. Zichella, Director of Western Renewable Transmission

Do you support the roles identified for the transition committee?

NRDC supports the establishment of a CAISO regional energy imbalance market (EIM) and generally supports the concepts put forward in the August 13, 2013 draft Governance Proposal. In summary, NRDC believes the main objectives that need to be addressed by any governance structure are:

- _ Building confidence in present and potential participants in the discrete mission of the EIM;
- _ Ensuring EIM policies and decisions are established without market and other conflicts of interest;
- _ Facilitating the orderly formation of a deliberately conceived, publically vetted permanent governance structure, including the views of geographically and mission diverse stakeholders; and
- _ Promoting successful implementation of the EIM.

ISO Response

Thank you for your response.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

NRDC especially appreciates the inclusion of a category for “governmental agencies and public interest entities” on the Transitional Committee but urges that CAISO consider adding a separate slot to the committee for public interest entities. Experience has shown

us that while the perspectives of these two classes of stakeholder often align, they do not always, and the input is significantly enriched by treating them separately. Moreover, it might undermine the goal of developing confidence in the broader regional market if states (or their agencies) feel as if their input is diluted by being required to represent the interests of other stakeholder classes.

ISO Response

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

Do you support the number of members in the transition committee and its composition?

We would prefer it be expanded by one to have separate governmental and public interest categories.

ISO Response

As stated above, the ISO agrees that government agencies and public interest entities should be split into separate sectors. Also, upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

NRDC strongly supports the emphasis on independence of the governing structure from market influences and other interests. The governing structure needs to be able to take management steps that facilitate the success of the EIM without prejudice or undue consideration for a single interest. The independence of the governing structure is essential to building confidence in and encouraging broader eventual participation in the EIM. This also tracks with a model or organization that has been adopted in the recent bifurcation of WECC, which establishes independent boards for the new companies and which has so far met with FERC approval. CAISO would have reasonable confidence to assume similar independent EIM governance constructs might also pass eventual FERC muster.

ISO Response

Thank you for your response.

Other comments

I. Introduction and Summary:

NRDC supports the establishment of a CAISO regional energy imbalance market (EIM) and generally supports the concepts put forward in the August 13, 2013 draft governance proposal.

In summary, NRDC believes the main objectives that need to be addressed by any governance structure are:

- Building confidence in present and potential participants in the discrete mission of the

EIM;

- Ensuring EIM policies and decisions are established without market and other conflicts of interest;
- Facilitating the orderly formation of a deliberately conceived, publically vetted permanent governance structure, including the views of geographically and mission diverse stakeholders; and
- Promoting successful implementation of the EIM.

ISO Response

Thank you for your response.

II. Specific Comments:

A. Build confidence in the mission

NRDC supports the emphasis on governance structure that encourages regionally diverse entities to join the EIM. The wider the geographic diversity of both participants and the flexible and renewable sources of energy they will offer into the market, the more valuable the EIM will be for meeting state renewable energy integration and carbon reduction goals. The governance structure for a regional EIM will therefore need to reassure potential participants that it is intended to provide imbalance energy to participants and not intended to be an initial step toward a regional transmission organization (RTO).

ISO Response

EIM has been designed to achieve success as a new regional market, and is not dependent upon the development of a regional transmission organization. The EIM proposal has consistently maintained that balancing authorities maintain all of their WECC and NERC compliance requirements.

B. Avoiding conflicts

NRDC strongly supports the emphasis on independence of the governing structure from market influences and other interests. The governing structure needs to be able to take management steps that facilitate the success of the EIM without prejudice or undue consideration for a single interest. The independence of the governing structure is essential to building confidence in and encouraging broader eventual participation in the EIM. This also tracks with a model or organization that has been adopted in the recent bifurcation of WECC, which establishes independent boards for the new companies and which has so far met with FERC approval. CAISO would have reasonable confidence to assume similar independent EIM governance constructs might also pass eventual FERC muster.

ISO Response

Thank you for your response.

C. Orderly development

NRDC supports the two-step approach detailed in the governance proposal. This approach supports the transparent formation of the market's leadership function, allows

for constructive iteration as needs evolve, facilitates vetting of the structure with all relevant public and private stakeholders in close communication with the ISO Board of Governors, and provides an orderly transition to a more permanent operating regime. It takes advantage of existing ISO Board policies to expedite the crucial work of developing and launching the EIM agreement and policies, thus avoiding delays and setting up the longer term EIM work. Finally and significantly, it prescribes an ongoing staff liaison and support function, something that will be essential for the Transitional Committee to meet the ambitious timelines set forth in the proposal.

ISO Response

Thank you for your response.

D. Promoting Success

In addition to meeting the objectives detailed above, time is of the essence in developing the EIM governance structure if the market is to succeed. Establishing a Transitional Committee to guide the initial steps of governance, as an advisory committee to the Board of Governors under existing authorities saves time while formulating a longer term governance proposal that will need FERC approval.

ISO Response

Thank you for your response.

E. Capturing Diverse Perspectives

NRDC especially appreciates the inclusion of a category for “governmental agencies and public interest entities” on the Transitional Committee but urges that CAISO consider adding a separate slot to the committee for public interest entities. Experience has shown us that while the perspectives of these two classes of stakeholder often align, they do not always, and the input is significantly enriched by treating them separately. Moreover, it might undermine the goal of developing confidence in the broader regional market if states (or their agencies) feel as if their input is diluted by being required to represent the interests of other stakeholder classes.

ISO Response

As noted above, the revised governance proposal will propose that the Transitional Committee have nine seats initially, rather than seven and that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

III. Conclusion:

NRDC appreciates the opportunity to offer these views on the August 13, 2013 EIM Governance Proposal and looks forward to working closely with the ISO on the establishment of the regional EIM.

ISO Response

Thank you for your response.

Company	Date	Submitted By
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NW Energy Coalition	9/6/2013	Fred Heutte, Senior Policy Associate
Do you support the roles identified for the transition committee?		
<p>Generally speaking, we support the approach being proposed in the draft Governance Proposal. The ISO clearly understands and supports the need for full and meaningful involvement of stakeholders in developing a fair and effective Energy Imbalance Market, and the proposed Transitional Committee will assist in that objective. This is important not only for NW Energy Coalition's involvement, but to insure the broadest and deepest understanding throughout the region of the evolving proposal, and to provide the full range of views and insights that can assist the ISO, PacifiCorp and potentially other participants in the proposed EIM.</p>		
ISO Response		
Thank you for your response.		
Do you support the sector definitions and the nomination and ranking process for the transition committee?		
<p>The draft proposes that one sector encompass "Government agencies and public interest entities." For several reasons we suggest these be separated in two separate sectors.</p> <p>Government entities have a very different relationship to this process than do nongovernmental organizations. Specific government entities play direct legislative, executive (especially regulatory) and judicial roles affecting the ISO. Government in general has ultimate responsibility for the proper functioning of the proposed EIM from the perspective of all parts of society.</p> <p>Public interest entities are voluntary associations representing specific viewpoints and experience that have a legitimate role in the development and operation of entities such as the EIM.</p> <p>Furthermore, since the sectors designated here to provide nominations to the Transitional Committee may be a precursor to a class or sector structure for representation within the eventual governance of an EIM, we feel it is important to make this distinction from the beginning.</p> <p>Similarly, organizations such as the Western Electricity Coordinating Council have separate classes for governmental and non-governmental organizations.</p>		
ISO Response		
The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.		
Do you support the number of members in the transition committee and its composition?		
Seven members would be an appropriate size, but a slightly larger number could also be effective and may help accommodate a wider range of views.		
ISO Response		

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

We support the direction for an independent EIM governing entity as indicated in the proposal: “Such a structure requires that the membership of the EIM governing entity be independent, and it would thus be made up of a diverse group of individuals that are not employed by or affiliated with any EIM market participant. The individuals qualified to serve would also be prohibited from any financial interest in a market participant. Although the ISO’s proposal would establish certain broad parameters with respect to such issues, the proposal intentionally avoids prescribing the specifics of this structure to allow such decisions to be informed by the work of the Transitional Committee and the experience gained through EIM operation.”

Other language in the proposal is more ambiguous: “To achieve the second phase of the EIM governance implementation, the charter will require the Transitional Committee to develop a proposal for an independent EIM governance structure comprised of nonstakeholders. Moving to a structure comprised of participants who are independent of individual stakeholders will make it possible to satisfy FERC requirements for the ISO Board to delegate substantial authority over EIM, and provide for a governance structure that will allow for efficient, meaningful and nimble EIM market oversight.” (emphasis added)

The reference to “stakeholders” should be changed to “market participants.” Otherwise it could be read as prohibiting the service of any individual in the western region who could be affected by an EIM, and anyone outside the west employed by, serving in a board or other policy setting role, or having a substantial financial interest in an in-region stakeholder organization.

ISO Response

The ISO agrees that the term “stakeholders” should be replaced with the term “market participants” in Sections 5 and 5.1 and has been reflected in the revised white paper.

Other comments

We appreciate the ISO’s willingness to involve stakeholders early and fully in the EIM development process, to make available and respond to specific comments, and to provide for stakeholder meetings both in California and other western state locations. And we look forward to further participation in helping evolve the proposal.

ISO Response

Thank you for your response.

Company	Date	Submitted By
PacifiCorp	9/6/2012	Cory Scott

PacifiCorp supports the objectives described in Section 3 of the Governance Proposal to facilitate a robust and independent energy imbalance market (EIM) governance structure, namely, that any governance structure must include: (i) Prompt and Direct Input; (ii) an Adaptable Structure; and (iii) Promote Successful Implementation of the EIM. In this context, a properly designed governance paradigm is critical to the success of the EIM.

PacifiCorp appreciates the California Independent System Operator's (ISO) ongoing efforts with respect to the development of the EIM. PacifiCorp acknowledges the ongoing nature of the issues addressed herein and reserves the right to supplement, modify, amend, or otherwise present additional comments at a future time, as permitted. In addition, PacifiCorp respectfully requests that the ISO or interested stakeholders not perceive the absence of comments on any particular question, issue or other matter as a conclusive indication of PacifiCorp's lack of interest, support or opposition with respect thereto.

ISO Response

Thank you for your response.

Do you support the roles identified for the transition committee?

PacifiCorp supports the creation of the Transitional Committee. Specifically, PacifiCorp supports the Transitional Committee's objective to develop an appropriate, independent EIM governance structure. With regard to the concept of independence, PacifiCorp supports an EIM governance structure with (i) an independent board (i.e., board members that are financially independent), and (ii) a long-term goal for organizational independence from the ISO Board, which PacifiCorp believes is crucial to the EIM's long-term success.

PacifiCorp requests additional detail in the next Governance Proposal with respect to the Transitional Committee's role in providing input, advice and/or recommendations to the ISO Board associated with EIM-related issues. PacifiCorp needs to better understand under what circumstances the Transitional Committee will make recommendations to the ISO Board, how the Transitional Committee will make recommendations to the ISO Board and how the Transitional Committee's role in making such recommendations is distinct from a market participant's ability today to comment directly to the ISO Board.

ISO Response

The Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee. For the long term effort to develop the independent structure, the Transitional Committee will operate a process similar to the ISO's with draft papers, open stakeholder meetings, and appropriate comment periods. The ISO believes that this open stakeholder process will allow the Transitional Committee to develop its majority (and minority if appropriate) opinions for the discussion with the board. And consistent with the ISO process, other

stakeholders will also have the ability to address the board. This open process will help all parties have a voice in the efforts. It could be that the Transitional Committee desires the ISO staff to manage the stakeholder process as directed by the Transitional Committee. For the near-term work relating to EIM market simulations, start-up and initial operation, it may be preferred for the Transitional Committee to participate as part of the ISO stakeholder processes for expediency.

A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

PacifiCorp believes that additional details and clarification is necessary related to how the sector committees and the nomination process will be undertaken.

First, as PacifiCorp understands the Governance Proposal, each sector will separately rank candidates for the Transitional Committee, which will then be combined to constitute one list of ranked candidates for the ISO Board's ultimate selection of specific committee members. However, it is PacifiCorp's impression that there is confusion with stakeholders as to whether each stakeholder sector will have a candidate appointed to the Transitional Committee. PacifiCorp seeks to better understand the existing stakeholder sector process as it exists for vetting of the ISO Board of Governors candidates but cautions that the ISO should be flexible in trying to apply this same process to the nominations for the Transitional Committee. The ISO should clarify the role of sectors in the next draft of the Governance Proposal to avoid confusion.

Second, the Governance Proposal needs clarification with respect to how the stakeholder sectors will be created and function. For example, who will convene the stakeholder sectors? Who will determine what entities are allowed to participate and in which sector? What process will be used to govern deliberations of the stakeholder sectors? PacifiCorp requests the ISO clarify each of these fundamental questions in the next draft of the Governance Proposal.

Third, Section 4.2.3 identifies six stakeholder sectors for nominating individuals to serve on the Transitional Committee. Those stakeholder sectors include: (i) Investor-owned utilities; (ii) Publically-owned utilities; (iii) Generators and marketers; (iv) Alternative energy providers; (v) EIM participants; and (iv) Government agencies and public interest entities. PacifiCorp requests that the ISO clarify how and why these sectors were identified. For example, PacifiCorp requests additional clarification on the definition of an alternative energy provider and how entities in this sector are different than entities in the sector for generators and marketers.

Fourth, the Governance Proposal should expressly limit participation in the stakeholder sectors to those entities that have a direct interest in the EIM. This limitation will ensure that the Transitional Committee is informed by those parties that are best situated to assess the EIM.

Fifth, PacifiCorp requests that the Governance Proposal clarify that an EIM Entity's role

on the Transitional Committee is separate and distinct from its participation in the sector nomination and ranking process.

Finally, PacifiCorp disagrees with the proposal to limit participation by entities in certain sector categories to those that have “participated in the ISO’s markets since 2009.” This limitation unnecessarily restricts participation.

ISO Response

The governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee. Additional information regarding the nomination and selection process can be found in the revised governance proposal.

Sectors will be self-governed, and will decide how to conduct their own voting and ranking process. Each entity is limited to membership in one sector only, and stakeholders will be asked to select a sector with which they most closely relate. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started.

The ISO sought to identify sectors that represented potentially interested entities and to provide a wide diversity of talent and perspectives on the EIM. It looked to experience gained with its Board Selection Process. With its revised governance proposal, the ISO will split the governmental agencies and public interest sector into two separate sectors, and there will thus now be seven sectors. The revised white paper will provide some additional description of each sector.

The governance proposal is designed to allow all parties with an interest, direct or indirect, to participate in any one sector of its choice. The ISO believes that broad participation in the sector nomination process is desirable as a means of encouraging interested parties to enhance their involvement and potentially become participants in the EIM as it develops.

The ISO will delete the requirement that a stakeholder must have participated in the ISO market since 2009 to qualify for a nomination to the Transitional Committee. Instead we seek stakeholders in the Western Interconnection with a specific interest in the energy imbalance market.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board’s selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

The Transitional Committee Charter will state that an EIM Entity should have a seat on the Transitional Committee. The sector membership is separate and distinct from membership on the Transitional Committee which is approved by the ISO Board.

Do you support the number of members in the transition committee and its composition?

Yes, subject to the following comments. PacifiCorp proposes the following changes to Section 4.2.1 of the Governance Proposal.

First, PacifiCorp, as the first EIM Entity, expressly requests that the Governance Proposal explicitly designate PacifiCorp as a member of Transitional Committee, not subject to any nomination process and not subject to Board of Governors discretion to not choose a PacifiCorp representative. Likewise, the addition of new EIM Entity representatives to the Transitional Committee should be automatic, not discretionary in the charter. Further, the addition of EIM Entities should not be limited in number. By removing the cap, other potential EIM Entities will be provided the appropriate incentives to commit to the EIM. PacifiCorp understands the desire to limit initial participation in the committee; however, participation of EIM Entities in the Transitional Committee is critical because it will allow the Transitional Committee to consider the particular needs of each EIM Entity to ensure the success of the EIM.

Second, the requirement that the Transitional Committee be composed of an odd number of members seems unnecessary if the Transitional Committee charter allows the committee to provide the ISO Board with both a majority and minority opinion associated with committee recommendations and advice. In the event of an even split among the membership of the Transitional Committee, the committee can simply provide both opinions to the ISO Board for consideration.

Third, to ensure broad geographic diversity on the Transitional Committee, the charter should call for a geographically diverse set of nominees. PacifiCorp proposes a requirement that the stakeholder sectors rank two slates of nominees based on geography and expertise (i) within California and (ii) across Balancing Authority Areas represented by EIM Entities. The ISO Board could then use the separately ranked slates to select nominees for the Transitional Committee that ensure diversification.

ISO Response

As noted above, the Transitional Committee Charter will state that an EIM Entity should have a seat on the Transitional Committee. The sector membership is separate and distinct from membership on the Transitional Committee which is approved by the ISO Board.

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC. The draft charter will provide more detail on the number of seats on the Transitional Committee as well as voting guidelines.

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee. The charter will, however, provide that at least one Transitional Committee member will be from an EIM Entity who has entered into a signed implementation agreement. Because PacifiCorp is the only such entity and has been involved in this process on an on-going basis, it is reasonable to assume that a PacifiCorp representative will be a member of the Transitional Committee.

The governance proposal allows for a potential expansion of the Transitional Committee for two additional seats to accommodate additional EIM members. Priority will be given based upon the date of entering into an implementation agreement. This approach provides a positive incentive for interested entities to join as an EIM Entity.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

The governance proposal suggests that the Transitional Committee be composed of both highly qualified and geographically diverse group of participants. The charter will give the Board discretion to ensure that geographical diversity occurs.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

Yes, subject to the following comments. An "independent" governance structure is defined in two important contexts: (i) an independent board (i.e., board members that are financially independent) and (ii) organizational independence from the ISO Board, which is crucial to the EIM's long-term success. PacifiCorp supports the Transitional Committee's consideration of both matters. The creation of a financially independent board could facilitate a governance structure that is ultimately independent from the ISO Board.

With regard to an independent governance structure generally, PacifiCorp:

- a. Supports the concept of allowing the Transitional Committee to recommend an independent EIM governance structure with authority over the EIM;
- b. Cautions against predetermining any particular independent governance model in the Governance Proposal or Transitional Committee charter. The Transitional Committee should have the discretion to make the major policy and design recommendations with respect to the development of an independent EIM governance structure necessary to achieve the objectives identified in the Governance Proposal; and
- c. Requests the ISO reconsider the inclusion of certain governance models (including both the market operator and hybrid models) in the Governance Proposal that specifically reflect a governance structure that is independent from the ISO Board.

The language in Section 5 and Section 5.2 appears to presume that the ISO will govern the EIM. This may not be the best governance model as it could lead to market and/or jurisdictional conflicts. The Transitional Committee, following thorough research and consideration, may find that an independent organization overseeing the EIM presents the

best governance option. Foreclosing any governance model (including the market operator and hybrid models) will limit the adaptability of the EIM and may threaten its successful implementation.

Describing the process in the Governance Proposal as consisting of two steps to a truly independent EIM governance structure may be misinterpreted. While the Governance Proposal identifies two significant steps in the process to define governance for the EIM, the Transitional Committee may identify additional steps necessary for a truly independent EIM model. PacifiCorp requests that the ISO clarify that it is not restricting the Transitional Committee, and the Transitional Committee can explore different options for an independent EIM governance structure. Indeed, this stakeholder process should be used to solicit input on what models the Transitional Committee should consider.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. The ISO is intent on developing a governance structure that works for existing participants but equally important, will attract additional EIM participants. Such participants will likely demand that they have a strong voice in matters pertaining to the EIM. The ISO has not proposed any ultimate structure at this stage. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

Yes. PacifiCorp supports assigning an ISO management liaison to assist the Transitional Committee. The liaison can provide valuable information relative to the ISO's capabilities and perspectives. However, PacifiCorp also requests that in the next round of the Governance Proposal that the ISO clarify that the Transitional Committee has the ability to request technical advice and studies from EIM Entities, EIM participants, and other relevant stakeholders. The successful implementation of the EIM will depend on the availability of data and analyses from the ISO (as the market operator), EIM Entities and potential EIM participants.

In addition, as a general matter, PacifiCorp looks forward to the ISO's release of the draft charter where many of the details associated with the Governance Proposal will be addressed and discussed. In this context and in preparation of the draft charter, it is PacifiCorp's expectation that the ISO Board will give particular weight to the opinions of EIM Entities on the Transitional Committee. It is also PacifiCorp's expectation that the role of the Transitional Committee in advising and making recommendations to the ISO Board will be more fully detailed.

ISO Response

The ISO will further detail the role of the Transitional Committee liaison in the next draft of the governance proposal, and the proposed charter, but it is anticipated that the liaison will provide assistance as needed, including coordination of legal and market subject matter experts, stakeholder process assistance, and administrative support to each of the sectors and the Transitional Committee. The ISO will also clarify that a stakeholder process will be used by the Transitional Committee in developing its governance proposals. In that context it will have the ability to seek technical advice from stakeholders, as well as other resources it deems necessary, for example the ISO's legal department or other ISO staff with particular expertise.

The ISO Board will carefully consider all proposals from the Transitional Committee consistent with its charter to advise the Board. The Board, however, cannot commit to provide any particular level of deference in advance to any particular proposal, member, or subgroup of the Transitional Committee.

Other comments

Compensation, Reimbursement

PacifiCorp supports the proposal that Transitional Committee members serve without compensation and members' affiliated entities should be responsible for all costs and travel expenses associated with the Transitional Committee.

ISO Response

Thank you for your response.

Term

PacifiCorp requests that the ISO modify the Governance Proposal to provide that, once seated, members of the Transitional Committee will participate until the task of developing an independent EIM governance structure is complete. In the event that the Transitional Committee cannot complete its task within the proposed two-year term, reappointing existing members or appointing new members may unnecessarily disrupt the committee's progress. That said, PacifiCorp appreciates the Governance Proposal's acknowledgement that the charter will need to address extended terms for existing Transitional Committee members or for the nomination and appointment of new members.

ISO Response

The ISO will clarify in the revised governance proposal and the proposed charter, published October 4, 2013 that the Transitional Committee membership will remain in place until its interim objectives are complete. However, the charter will include provisions for replacing members that may not be able to serve on the committee, for whatever reason, for the duration of time the committee takes to form its proposal for an EIM governance structure.

Company	Date	Submitted By
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Pacific Gas & Electric Company (PG&E)	9/6/2013	Alex Morris
I. Introduction		
<p>Pacific Gas and Electric Company (PG&E) offers the following comments in the stakeholder process for the California Independent System Operator’s (CAISO) Energy Imbalance Market (EIM) Governance Proposal (“Proposal”).</p> <p>In its May 30th, 2013 EIM Revised Straw Proposal, CAISO staff noted that they:</p> <p>“are increasing our focus on this important [governance] topic to ensure that we provide stakeholders with a governance model that supports effective operation of the EIM and takes into account the interests of all entities considering participation. We anticipate engaging industry leaders and regulators from across the West to develop specific governance options that can be implemented on the same timeline as the new market. We will publish a proposal for stakeholder consideration in August, and intend to run a stakeholder engagement specifically dedicated to governance.”¹</p> <p>Per the plan, the current proposal identifies a “Transitional Committee” (TC) leading to an “Independent Governance Committee” for the EIM, and may limit appointment to the TC from CAISO stakeholders who conduct business primarily within its balancing area.² In these comments, PG&E encourages the CAISO to adjust its plan; to:</p> <ul style="list-style-type: none"> - Establish an EIM Governance Advisory Committee (EGAC) to review all governance options in an open process - Modify its selection criteria to provide EGAC representation commensurate with cost-exposure and risks, appointing members from California stakeholders, particularly LSEs, along with committed EIM entities - Require open process practices by the EGAC to allow all other stakeholders to participate, including potential future EIM entities - Provide details of alternative structures for the EGAC to consider rather than pre-ordain the outcome as a transition toward a permanent Independent Governance Structure (IGS) 		
ISO Response		
Thank you for your comments, please see detailed responses in section II below.		
II. PG&E Comments		
1. The CAISO should establish an EIM Governance Advisory Committee (EGAC) with a charter modified from that of the TC		
<p>PG&E believes the role of an EGAC should be to:</p> <p>a) Review, in an open process, potential governance options and make a</p>		

¹ “Energy Imbalance Market Revised Straw Proposal”, CAISO, May 30, 2013, p. 47

² The limitations stems from the inability of certain stakeholder sectors to secure an appointment on the Transitional Committee.

recommendation to the CAISO Board of Governors (“the Board”)

b) Advise on EIM Specific Issues. PG&E agrees that an Advisory Committee tasked with providing input on rules or issues that are specific to only EIM is appropriate. The range of issues may include numerous technical and discrete subjects, such as EIM input data, EIM definitions, EIM GHG rules, EIM optimization, and others. The stakeholder process, design process and subsequent testing all may identify issues on which the Advisory Committee could provide input. Issues that are not specific only to an EIM, but to the CAISO’s broader markets, should continue to be handled within the broader CAISO stakeholder processes.

PG&E believes the presumption that the CAISO’s proposed framework would lead to an IGS is premature. The EGAC should determine the best future governance plan for the EIM, and the CAISO should not direct an outcome. With respect to an IGS, a single market with two independent governance structures is likely problematic and inefficient. CAISO run markets need clear decision authority.

The EGAC should exist for as long as needed to provide input, thus the CAISO should eliminate the plan for a two-year life for the Advisory Committee. Assumptions about a sunset date due to an establishment of an IGS are premature. The EGAC should recommend whether it needs to continue as part of its review of governance options.

ISO Response

As proposed, and further clarified in the revised governance proposal and charter, we believe the Transitional Committee serves the role of EIM Governance Advisory Committee (EGAC).

The Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee. For the long term effort to develop the independent structure, the Transitional Committee will operate a process similar to the ISO’s with draft papers, open stakeholder meetings, and appropriate comment periods. The ISO believes that this open stakeholder process will allow the Transitional Committee to develop its majority (and minority if appropriate) opinions for the discussion with the board. And consistent with the ISO process, other stakeholders will also have the ability to address the board. This open process will help all parties have a voice in the efforts. It could be that the Transitional Committee desires the ISO staff to manage the stakeholder process as directed by the Transitional Committee. For the near-term work relating to EIM market simulations, start-up and initial operation, it may be preferred for the Transitional Committee to participate as part of the ISO stakeholder processes for expediency.

A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members’ experience and qualifications, and the experience gained through EIM operation.

The ISO will clarify in the revised governance proposal and the proposed charter, published October 4, 2013 that the Transitional Committee membership will remain in place until its interim objectives are complete. However, the charter will include provisions for replacing members that may not be able to serve on the committee, for whatever reason, for the duration of time the Committee takes to form its proposal for an EIM governance structure.

The ISO believes it can accomplish the EIM development in the time allotted, and it is important that it do so. The ISO continues to work closely with stakeholders to ensure there is ample opportunity to review the information and will provide numerous opportunities for engagement and stakeholder input through the use of the ISO's stakeholder process. Additionally, stakeholders will have opportunities to provide input and engage with the Transitional Committee.

2. The CAISO should modify its selection criteria to provide EGAC representation commensurate with cost-exposure and risks, appointing members from California stakeholders, particularly LSEs, along with committed EIM entities

Current CAISO participants and stakeholders, particularly LSEs, need reasonable representation commensurate with their exposure to market costs, gaming, or related inefficiencies. A serious flaw of the CAISO proposal is that CAISO LSEs have no guarantee of representation on an Advisory Committee. Since CAISO LSEs are represented by the CAISO for real-time procurement and are major buyers in the real-time market, these entities face significant risks associated with inadequate real-time market and cost-allocation rules. As drafted, CAISO LSEs might hold only a minority position or none at all on the TC.

The CAISO should guarantee CAISO LSEs meaningful representation on the EGAC or a similar Advisory Committee because such representation befits the material exposure these entities and their ratepayers face. Representation should be commensurate with risk. PG&E recommends that CAISO LSE representation on the EGAC reflect LSE size, e.g. MWs, and also other factors, e.g. business structure. For example, the EGAC should require appointments of California IOUs from geographically different areas, e.g. one from the North and one from the South, and the same for Municipal utilities or other CAISO load business types subject to uplift risks.³ Via this logic, PG&E also supports the idea that committed EIM members warrant representation on the EGAC.

CAISO LSEs on the EGAC in sufficient numbers create no risk to EIM entities because CAISO LSEs will seek to create fair and efficient markets so that they can realize the promised benefits of the EIM⁴; if CAISO LSEs fail to create fair and efficient markets, they risk the EIM entity opting out of the EIM, a right the EIM entity has at any time. If that happens, the remaining CAISO participants forego the EIM's benefits. Conversely, if

³ PG&E notes that its transmission system differs significantly from the design of other systems such as those in Southern California, thus warranting representation for its customer in addition to those of entities in Southern California. PG&E's system is generally known to include more lower-voltage networked transmission lines. More information is available in the CAISO Transmission Planning Process documents

⁴ See "PacifiCorp-ISO Energy Imbalance Market Benefits", Energy + Environmental Economics, March 13, 2013

CAISO LSEs lack influence and are unable to avoid, for example, unreasonable cost-allocation⁵, the CAISO LSEs cannot leave or avoid the market's effects. Thus, the CAISO LSE's pursuit of market efficiency provides the correct checks and balances for the EGAC to pursue only reasonable and fair EIM rules.

PG&E agrees EIM entities deserve representation on the EGAC. In addition to PacifiCorp and in line with the concept that risk exposure warrants representation, the CAISO's offer to provide some appointments to committed EIM entities, up to a reasonable limit, is logical. Since EIM entities can opt out of the EIM, they should not have an excessive position as discussed above.

However, inclusion of non-committed or non-participating stakeholders in an Advisory Committee simply to reflect WECC-wide geographic diversity is inappropriate. EGAC appointments should hinge on stakeholder risk exposure to EIM or real-time markets. These and other qualifications discussed above provide superior bases for participation in the EGAC. While the EGAC appointees should remain targeted to LSEs and EIM participants, other stakeholders interested in joining the EIM can provide input through the EGAC's open process, as discussed below.

Finally, EGAC appointees should be committed to market efficiency, not simply to "consider and promote the success of the EIM enterprise".⁶ EIM's merits stem from the possibility that its benefits outweigh its costs. The EGAC should thus pursue a design that promotes market efficiency, liquidity, diversification, and other presumed EIM benefits. The principle of cost allocation based on cost causation is key to market efficiency⁷, yet an exclusively "pro-EIM" appointee might prefer cost-shifting rather than proper cost-allocation if solely focused on enticing entrants to an EIM. This principle alone substantiates PG&E's views that the qualifications for appointees must include a commitment to non-discriminatory market efficiency and not merely for EIM support.

ISO Response

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. While some participants have sought a specific designated seat on the Transitional Committee, the ISO believes that to do so would be counterproductive and ultimately could lead to a Transitional Committee that is too large and unwieldy to complete its job. The ISO Board will have the ultimate discretion to assure that the overall makeup of the Committee will be capable of promoting broad interests.

⁵ An example of such costs might be commitment costs incurred in the CAISO footprint yet prompted by forecast errors and changing conditions within an EIM entity footprint.

⁶ "Energy Imbalance Market – Governance Proposal, White Paper", CAISO, August 13, 2013, p. 5

⁷ See "Cost Allocation Guiding Principles Draft Final Proposal", CAISO, March 15, 2012.

<http://www.caiso.com/Documents/DraftFinalProposal-CostAllocationGuidingPrinciples.pdf>

3. Clarify the open process recommended for the EGAC so all stakeholders, including potential future EIM entities, can inform EIM governance deliberations

An EGAC charter should require a stakeholder process to inform EGAC deliberation. With some promise of stakeholder participation in EGAC decisions, stakeholder commitment towards an EGAC model is more likely. This structure allows EGAC appointees to hear the voices of potential future participants. It also eliminates a need for an overly large EGAC, which could prove unwieldy.⁸

The EGAC should meet frequently, e.g. monthly, in order to provide for the development of comprehensive plans. Meeting in the same cadence as CAISO Board meetings may prove inadequate to deliver on the EGAC’s goals with sufficient rigor.

ISO Response

The Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee. The ISO believes that this open stakeholder process will allow the Transitional Committee to develop its majority (and minority if appropriate) opinions for the discussion with the board. And consistent with the ISO process, other stakeholders will also have the ability to address the Board. The governance proposal does not establish with what frequency the Transitional Committee will meet, but anticipates it will meet on a regular basis and with the frequency necessary to review the issues before it.

4. The CAISO should provide further details of alternative structures for the EGAC to consider

The CAISO’s current proposal notes that “In developing this proposal, the ISO has reviewed the best practices of other similar organizations....”⁹ The CAISO should provide details of this review and the options identified to stakeholders and the EGAC. Consistent with our above comments, all conclusions should be put on hold and excluded from future proposals, and PG&E encourages the CAISO to provide further details on the permanent governance options and reviews performed for the Advisory Committee, when established.

ISO Response

The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members’ experience and qualifications, and the experience gained through EIM operation.

III. Conclusion

PG&E thanks the CAISO for its work on the straw proposal. Many aspects of the proposal

⁸ A past advisory efforts, the MRTU Advisory Committee, included over twenty members. Based on PG&E’s informal recollections, the size of the committee made it difficult, at times, for the Committee to discuss and efficiently resolve complex issues smoothly.

⁹ “Energy Imbalance Market – Governance Proposal, White Paper”, CAISO, August 13, 2013, p. 13

appear reasonable to PG&E. Some aspects, however, require changes or seem inadequate. Primarily, PG&E seeks an Advisory Committee structure designed to pursue an EIM's benefits at reasonable cost. PG&E's suggestions fit this goal and should be adopted by the CAISO. PG&E looks forward to further discussion on this matter.

ISO Response

Thank you for your response.

Company	Date	Submitted By
Portland General Electric (PGE)		

Stakeholder process, tariff framework and timeline

Under this new market design, PGE has concerns that the process is moving too quickly with an aggressive timeline that doesn't allow for many of its stakeholders to completely gauge and understand key EIM design concepts. Many stakeholders have expressed concerns related to resource sufficiency in the Day Ahead and Real Time market, flexible ramp sufficiency, transmission usage and cost allocation, uplift and neutrality allocations, CARB obligations and GHG emissions costs, etc. PGE proposes that CAISO take the time to layer in several technical workshops on key critical and independent concepts so that robust discussions can occur and influence the design process. Potential EIM entities would not want to be at risk of market disruptions, uncertainty, reliability and compliance issues, and unwarranted costs that could have been rectified during the planning and stakeholder process. With the current timeline proposed, PGE believes it is premature to start the tariff framework in a matter of a few weeks with the current state in mind. PGE suggests that the CAISO coordinate additional technical workshops that would lead to another revised straw proposal. PGE further believes that CAISO should provide stakeholders with an ample amount of time to evaluate and comment on the draft final proposal.

ISO Response

NOTE: This response was also included in the responses to the third revised Straw Proposal.

The initial tariff process allows for the review of the proposed tariff framework. The tariff language will be developed through the stakeholder process beginning in November and completing the end of January. Six special technical workshops have been held over the last few months to address the issues. Topics included:

1. Real-Time Congestion Balancing Account
2. Flexible Ramp Capacity Constraints
3. Neutrality
4. Market Monitoring
5. Bid Cost Recovery
6. Flexible Ramping Sufficiency Test

The ISO believes it can accomplish the EIM development in the time allotted, and it is

important that it do so. The ISO continues to work closely with stakeholders to ensure there is ample opportunity to review the information and will provide numerous opportunities for engagement and stakeholder input through the use of the ISO's stakeholder process. Additionally, stakeholders will have opportunities to provide input and engage with the Transitional Committee. Further, the ISO will monitor and discuss with stakeholders results throughout the market simulation effort to assure operational readiness.

Governance

PGE looks forward to receiving more detail on the proposed governance structure and timeline for the CAISO EIM. While PGE understands some of the potential benefits of the two-step process described in the August 13 Governance Proposal, PGE believes entities would benefit from more detail on the specific authority (and any limits) associated with the Transitional Committee established under the CAISO's current Bylaws. Additionally, PGE believes the CAISO should consider adding safeguards early in this process to the independent governance structure to ensure that the independent structure does not result in fundamental changes to the EIM structure developed through the stakeholder process. Certain fundamental changes could be subject to a higher approval threshold, for instance. Entities would benefit from some certainty on fundamental governance matters before getting too far into the market design process.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

The bylaws grant the ISO Board authority to create advisory committees, such as the Transitional Committee, to advise it on any matters it considers relevant. The Transitional Committee charter will provide more detail regarding the Transitional Committee's scope of work. The bylaws do not limit the advisory committee as to what or how it recommends to the Board. Moreover, the bylaws do not require the ISO to be the exclusive entity that can bring decisional matters to the Board.

The Transitional Committee will work in conjunction with the stakeholder process to help develop and propose an independent EIM structure. In that context, it may consider any appropriate safeguards regarding the scope of changes any future governance structure would have the authority to undertake.

Company	Date	Submitted By
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Powerex Corp.	9/6/2013	Thomas Elgie
Do you support the roles identified for the transition committee?		
<p>The Governance Proposal states that the initial governance structure was chosen “so as not to delay the overall implementation of the EIM initiative.” While Powerex supports timely EIM implementation, that interest must be balanced with the need to ensure that appropriate decisions are made as the EIM is developed and implemented. Independence is a cornerstone of appropriate governance. Thus, the development of an independent governance structure should be prioritized, rather than left to be implemented two years after the EIM is implemented. During the time when the Transitional Committee is proposed to be in place, the ISO Board – which has responsibilities to further California’s interests and not any others – will be the decision-making body and the Transitional Committee will simply advise. Thus the EIM governance will not be independent during this time. Yet it is precisely during this initial two year period when critical path EIM decisions will be made and the importance of independence is most pronounced. Accordingly, Powerex supports efforts to develop a permanent – and independent – governance structure as a priority to avoid the need to abdicate independence during the precise period when it is most important. While efforts can be made to avoid or minimize the delay in EIM implementation that CAISO fears, when designing a market such as EIM, and attempting to make the market a successful one that will grow in membership, it is far more important to make sound decisions than quick decisions.</p> <p>The proposal that the Transitional Committee would report to the CAISO Board, which ultimately would approve the permanent governance structure, elevates the influence of California interests over those of the PacifiCorp BAA and other would-be participants. Yet CAISO’s real-time markets will operate under separate CAISO rules from the EIM¹, meaning that the decisions that are made relating to the EIM should generally be expected to have a greater effect on PacifiCorp and its market participants than on CAISO. If a Transitional Committee is employed, rather than reporting to the CAISO Board, Powerex suggests that it should report to the EIM Entity(s) and/or to the Federal Energy Regulatory Commission. Powerex recognizes the CAISO Board has authority to determine whether it is appropriate for the CAISO to ultimately perform the EIM services as finally determined and approved by FERC, and whether on balance the EIM will benefit participants within California. But the CAISO Board is not in a position to make those determinations for parties outside of California. Powerex’s comments in response to Question 5, below, elaborate on the potential legal issues stemming from the CAISO’s efforts to oversee the development of this contemplated multi-state market.</p> <p>To the extent a Transitional Committee is employed during an interim period, Powerex generally supports the concept of a diverse Transitional Committee that provides the EIM Entities with input on EIM-related issues during the start-up and early implementation phases. Powerex urges the CAISO to remain mindful that the EIM will</p>		

¹ It is recognized that CAISO real-time dispatch will be co-optimized with the EIM.

not be a single-state market from the outset and thus the Transitional Committee's work must have a West-wide focus.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee. The proposed length of time needed to develop an independent EIM structure is merely a guideline. The Transitional Committee may develop a different timeline that still maintains an open and transparent process.

Initial market design issues will be resolved through the already existing ISO stakeholder process. The Transitional Committee will have the ability to provide input on any changes to the market design as it gains experience with the EIM. The ISO encourages participation in its stakeholder processes by all interested parties. We suggest that interested parties take advantage of the existing comprehensive stakeholder process established by the governing board in March 2013 to work on market design.

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

The Transitional Committee is being formed with the intent of providing EIM entities and stakeholders with a voice in the EIM development, implementation and governance. A guiding principle for the ISO's governance proposal is the governance structure should promote the successful implementation of EIM. Because successful implementation depends upon broad participation in EIM, the ISO Board will have a strong incentive to properly consider all interests rather than elevating any one entity or interest over another. The ISO believes that the best way to achieve a balanced presentation of these interests to the Board will be through the stakeholder process combined with the efforts of the Transitional Committee.

The Transitional Committee is designed as an advisory committee of the Board to allow for prompt and direct input to the Board on EIM matters, including governance. It is currently not possible to seat an advisory committee that does not report to the ISO Board.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

Powerex does not take a position on the sector categories identified in paragraph 4.2.3 of the Governance Proposal. However, Powerex does wish to understand the proposed requirement that an entity must have participated in CAISO's markets since 2009 in order to be eligible to participate in the sector nomination process within the first four

identified sectors. While a working knowledge of CAISO's markets certainly is helpful, because the EIM is intended to be a West-wide market it is curious to differentiate stakeholders solely based upon the extent of their participation in or knowledge of CAISO's markets. Indeed, it should be considered just as, if not more, important to require knowledge and experience with regard to the OATT-based markets outside of California, as the EIM will operate in these regions, not the CAISO region. An inclusive eligibility framework is needed.

More detail is needed on the ranking process. The proposal mentions that "sector liaisons" would coordinate, but does not elaborate.

ISO Response

The ISO will delete the requirement that a stakeholder must have participated in the ISO market since 2009 to qualify for a nomination to the Transitional Committee. Instead we seek stakeholders in the Western Interconnection with a specific interest in the energy imbalance market.

The ISO will propose more detail on the ranking process in the revised governance proposal and draft charter, published on October 4, 2013.

Do you support the number of members in the transition committee and its composition?

The initial number of members appears to strike the balance that is needed to assemble a group that is small enough to make progress and large enough to include a cross-section of the interested market participants. However, consideration needs to be given to capturing that cross-section in application. While CAISO proposes that the initial seven-member committee will include a representative from an EIM Entity, there is not a parallel requirement for members from different sectors other than the general commitment in Paragraph 4.2.4 that geographic and viewpoint diversity will be sought.

ISO Response

The governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee.

It is important to note that a goal of the Transitional Committee is the overall task of developing a long-term independent governance structure. As such, the Transitional Committee membership demands high competencies and it demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

The governance proposal suggests that the Transitional Committee be composed of both highly qualified and geographically diverse group of participants. The charter will give the Board discretion to ensure that geographical diversity occurs.

Do you support the independence proposals identified in the paper for long-term independent EIM structure??

Powerex strongly supports an EIM governance framework that is fully independent and akin to a “Market Operator Model” of governance. Such a model may not be fully consistent with the CAISO’s stated intent to establish an “oversight structure that permits the ISO to continue to manage the market on a day-to-day basis in a way that is responsive to business, regulatory and stakeholder needs.”

Powerex urges that the Transitional Committee charter reflect independence parameters designed not only to ensure a governing body that is independent from individual stakeholders, but also to ensure a governing body that is independent from the CAISO Board to the fullest extent possible, in order to serve the interests of EIM stakeholders across the West. Long-range success of the EIM hinges on adaptability and acceptability of the governance structure to a wider audience. In this regard, Powerex suggests that the EIM employ a member-based structure similar to other markets that span a multi-state footprint. For example, in PJM, if there is sufficient membership support for a tariff change, PJM may submit such tariff change for the approval of FERC pursuant to Section 205 of the FPA. If, on the other hand, member support does not reach or exceed the pre-established threshold, then PJM may still proceed to seek FERC’s approval for a tariff change but would need to proceed pursuant to Section 206 of the FPA.

Northwest Power Pool member utilities launched a Market Assessment and Coordination Initiative in 2012 based upon their recognition that governance would be critical to efforts to implement durable solutions to the region’s operational challenges. An Executive Subcommittee on Governance of the Northwest Power Pool was formed to address these issues. Its consensus policy and implementation objectives should be considered in the EIM governance. These include preserving reliability, cost control, stakeholder representation, accountable and responsive decision-making, and effectively dealing with transmission implications.

ISO Response

An objective of the ISO’s governance proposal is to develop a structure for EIM governance made up of individuals who are independent from market participants. The Transitional Committee is designed to advise the ISO Board on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure based on experience and knowledge gained in the initial phase. The governance proposal suggests that a permanent independent governance structure is developed over time so that it can benefit from the knowledge gained from the early implementation of EIM.

It will be the task of the Transitional Committee to consider options and present their recommendation based on full consideration of the merits of this and other approaches. The ISO believes an independent governance structure is preferable to a member-based structure.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

The Governance Proposal contemplates CAISO Board approval for an independent EIM governance structure and the delegation of tariff authority to the EIM. It is unclear that the CAISO Board has the authority to take such actions. The duty of care assumed by the multi-state EIM's governing body would run to EIM stakeholders across the West and thus would not be limited to California's electricity users and providers, who are the statutorily identified beneficiaries of CAISO's enabling legislation. Indeed, paragraph 5.2 of the Governance Proposal specifically calls for a mechanism to enable resolution of inevitable conflicts between the EIM governing body and the CAISO Board—such as conflicting tariff filings at FERC—thus recognizing that the EIM governing body will at times have different interests than the CAISO Board.

Powerex urges the CAISO to seek and issue a legal opinion regarding the authority of the CAISO to take the actions contemplated in the Governance Proposal without additional enabling legislation. Such a step would provide stakeholders with critical information regarding the CAISO's view of this legal issue, which is central to long-range EIM implementation issues.

ISO Response

The ISO's initial review of relevant legal authorities indicates that the ISO Board may delegate certain aspects of Section 205 authority, subject to FERC approval. While it is unlikely that the ISO could assign complete autonomy to a separate body under existing law, and there are limits to what can be delegated, the ISO is confident that a structure can be designed that works within the confines of existing law and provides meaningful authority over EIM. The specific legal requirements will depend upon the precise structure proposed. Thus, as part of the EIM governance proposal, the ISO has committed to providing legal analysis and guidance as to any governance structure the Transitional Committee considers.

Other comments

Powerex reiterates its support for the development of an EIM in Western bilateral markets. However, Powerex also reiterates its concern that the CAISO has established aggressive timelines for the implementation of the EIM that do not permit stakeholders and industry experts to engage in a thorough vetting process. The pace of stakeholder processes should be commensurate with the complexity and importance of the topic addressed. Important "cornerstone" issues should not be cast aside to be dealt with later simply because they are expected to be difficult to resolve. Independent governance is clearly one such cornerstone issue that should be appropriately addressed at the outset of the development of an EIM, similar to the transmission pricing issue Powerex has repeatedly raised – yet the CAISO has chosen to delay appropriately addressing these issues until well after development of the EIM is complete and implemented.

The Governance Proposal at page 11 recognizes that from time to time Transitional Committee members may require access to confidential information, thus they will be obligated to maintain the confidentiality of such information and will be bound by non-

disclosure requirements. Powerex urges that the Transitional Committee charter make clear that, in addition to confidentiality and non-disclosure requirements, committee members will be prohibited from using any confidential information they access for any purpose other than to perform their duties as part of the Transitional Committee or to advance any interest other than those of the Transitional Committee. Powerex also suggests that, in recognition of the western interests in the EIM, the Transitional Committee charter provide that some of its meetings will be held in locations across the western interconnect.

ISO Response

As noted above, initial market design issues will be resolved through the already existing ISO stakeholder process. We suggest that interested parties take advantage of the existing comprehensive stakeholder process established by the governing board in March 2013 to work on market design.

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

The ISO believes it can accomplish the EIM development in the time allotted, and it is important that it do so. The ISO continues to work closely with stakeholders to ensure there is ample opportunity to review the information and will provide numerous opportunities for engagement and stakeholder input through the use of the ISO's stakeholder process. Additionally, stakeholders will have opportunities to provide input and engage with the Transitional Committee.

Committee members will be required to sign an agreement which will include a non-disclosure provision, which is standard practice of the ISO when distributing confidential information to any of its market participants. This protection will also be detailed in the committee charter.

Company	Date	Submitted By
PUC EIM Group	9/6/2013	Travis Kavulla

Do you support the roles identified for the transition committee?

Yes. The dual role of the Transitional Committee is appropriate. Its tasks also require it to have a broader regional constituency than does the CAISO for its other functions. If the Board of Governors moves forward with the Transitional Committee, it will be important for the Board and the Committee to operate with the understanding that the Committee, while advisory in nature, is entitled to substantial deference on the issues with which it is charged, in order to ensure the credibility of the process.

ISO Response

The ISO Board will carefully consider all proposals from the Transitional Committee consistent with its charter to advise the Board. The Board, however, cannot commit to provide any particular level of deference in advance.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

The PUC EIM Group believes that government agencies and public interest/advocacy

groups are inappropriately lumped together in a single sector. State government agencies should have their own sector. The sector comprising government agencies should be defined broadly—including utility commissions, gubernatorial energy offices, and state agencies that represent consumers—but the definition should exclude government agencies that own or market generation and transmission. Organizations of relevant state agencies, such as the Western Interstate Energy Board, should be able to participate. The PUC EIM Group agrees with the Governance Proposal that membership and voting for those in a government or public interest sector should be construed broadly, to include anyone in the Western Interconnection.

There is a large amount of overlap between sectors; in addition to using the proposed definition for the government-agency sector, the CAISO should spell out a definition of each in the Governance Proposal.

The Governance Proposal limits membership in the four industry sectors to those who have participated in the ISO's markets since 2009 (pp. 8-9). This definition should be broadened, to include those who have loads within a balancing area authority (BAA) of an EIM Entity, or have imported, exported, or wheeled power through such a BAA, not just the CAISO BAA.

The PUC EIM Group is concerned about sector participants' lack of familiarity with the model of sector-based input and advisory bodies that CAISO evidently uses on a routine basis. Where possible, CAISO should use a member- organization governance model like the Western Electricity Coordinating Council's, because of its wider familiarity to all Western parties.

A sector- or class-based nominating structure depends on a person to coordinate nominations, or a "liaison," as the Governance Proposal calls it. The PUC EIM Group is satisfied with the selection of a temporary liaison by CAISO, who would work to convene a meeting of the sector, and then allow the sector to choose a liaison to do the work of surveying the sector for candidates, selecting the sector's nominees in a transparent nomination process by sector member voting, and then ranking all sectors' nominees in a similarly transparent member-voting process.

ISO Response

Stakeholder sectors will be self-governed, and will decide how to conduct their own voting and ranking process and entities will choose to which sector they believe they belong. Each entity is limited to membership in one sector only. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started.

The ISO sought to identify sectors that represented potentially interested entities and to provide a wide diversity of talent and perspectives on the EIM. It looked to experience gained with its Board Selection Process. With its revised governance proposal, the ISO will split the governmental agencies and public interest sector into two separate sectors, and there will thus now be seven sectors. Stakeholders will be asked to select a sector

with which they most closely relate. The revised governance proposal will provide some additional description of each sector.

The ISO will delete the requirement that a stakeholder must have participated in the ISO market since 2009 to qualify for a nomination to the Transitional Committee. Instead we seek stakeholders in the Western Interconnection with a specific interest in the energy imbalance market.

The ISO believes an independent governance structure is preferable to a member-based structure. An objective of the ISO's governance proposal is to develop a structure for EIM governance made up of individuals who are independent from market participants.

Do you support the number of members in the transition committee and its composition?

The credibility of the Transitional Committee depends on its geographic and sector diversity; a lack of its diversity would undermine the committee as a venue for open discussions about EIM matters, and likely would lead to a disputed work product. The PUC EIM Group feels that specifications that would limit the maximum and minimum number of representatives from a particular area or a particular sector are not as helpful as applying judiciousness and foresight to the selection of Transitional Committee members to ensure the body will be diverse and competent.

ISO Response

The governance proposal suggests that the Transitional Committee be composed of both highly qualified and geographically diverse group of participants. The charter will give the Board discretion to ensure that geographical diversity occurs.

A guiding principle for the ISO's governance proposal is the governance structure should promote the successful implementation of EIM. Because successful implementation depends upon broad participation in EIM, the ISO Board will have a strong incentive to properly consider all interests rather than elevating any one entity or interest over another.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

The PUC EIM Group supports an independently governed EIM. The CAISO Board of Governors, whose members are appointed by the governor of California, is not a workable long-term governance board for a market whose greater value derives from a wider geographic footprint.

ISO Response

Thank you for your response.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

1. Legal questions regarding the CAISO's California statutory authority to create an independent board to govern a regional EIM.

The PUC EIM Group has heard CAISO staff occasionally opine on their view that

California statute does not require modification for the type of governance envisioned by the Governance Proposal; that view is implied in the Governance Proposal, which is silent on any revision to California statute. This view should be spelled out in writing, citing authority, and providing analysis in the next Governance Proposal.

ISO Response

The ISO's initial review of relevant legal authorities indicates that the ISO Board may delegate certain aspects of Section 205 authority, subject to FERC approval. **We also do not anticipate any structure that would require a change to California statutes.** While it is unlikely that the ISO could assign complete autonomy to separate body under existing law, and there are limits to what can be delegated, the ISO is confident that a structure can be designed that works within the confines of existing law and provides meaningful authority over EIM. The specific legal requirements will depend upon the precise structure proposed. Thus, as part of the EIM governance proposal, the ISO has committed to providing legal analysis and guidance as to any governance structure the Transitional Committee considers.

2. Legal and practical questions regarding the CAISO's Section 205 delegation to an independent board.

The PUC EIM Group has conducted some limited legal research about Section 205 delegations by organized markets. (See the attached memorandum.) Those examples pertain to delegations by an ISO or RTO to the affiliated body of state regulators from the region. The PUC EIM Group is not aware of a situation where an RTO has spun-off what is in essence a separate organized market, for the limited purpose of real-time dispatch, which is both wider in its geographic footprint but also unavoidably intertwined with the geographically smaller but more complex CAISO that birthed it. Research on this question is in order, and CAISO may want to consider a request for declaratory order to FERC at the same time its tariff language for the EIM's initial operations is filed.

ISO Response

Thank you for providing the research conducted by your group. The ISO's initial review of relevant legal authorities indicates that the ISO Board may delegate certain aspects of Section 205 authority, subject to FERC approval. While it is unlikely that the ISO could assign complete autonomy to separate body under existing law, and there are limits to what can be delegated, the ISO is confident that a structure can be designed that works within the confines of existing law and provides meaningful authority over EIM. The specific legal requirements will depend upon the precise structure proposed. Thus, as part of the EIM governance proposal, the ISO has committed to providing legal analysis and guidance as to any governance structure the Transitional Committee considers. The ISO legal staff will continue to work with the Transitional Committee and FERC as these issues get more defined.

3. The role of state regulators in an independently governed EIM.

Organized markets whose footprints encompass multiple jurisdictions usually have a body like SPP's Regional State Committee, PJM's Organization of PJM States, or MISO's Organization of MISO States embedded within their organizational structures or

tariffs. CAISO (and the Transitional Committee) should consider whether it is appropriate to envision having a body composed of state regulators to advise and intervene on EIM tariff matters of state regulatory interest.

ISO Response

This is an issue that the Transitional Committee can deliberate and develop recommendations that they can provide to the Board.

4. Market monitoring.

CAISO should explain how market monitoring and surveillance will be conducted vis-à-vis EIM operations.

ISO Response

The EIM shall include market monitoring provided by the ISO Department of Market Monitoring (DMM). These services are included in the EIM administrative charges. DMM monitors markets administered by the ISO for potential ineffective market rules, market abuses, market power or violations of FERC market rules prohibiting provision of false information or market manipulation.

DMM also coordinates with other ISO business units that review and monitor the performance and quality of the ISO market. DMM provides recommendations about potential market design flaws or ineffective market rules to the ISO and FERC. DMM may also perform analysis and review cases to collect information about certain market trends or behaviors. If DMM determines there is sufficient credible information that a violation of FERC or ISO market rules has occurred, the issue will be referred to FERC for further review.

Other comments

The PUC EIM Group believes stakeholders to the CAISO process have done an admirable job of fleshing out the details of market design. As a group, we offer no specific comment on those aspects of market design in this round of comments. However, where questions of principle bear on CAISO's decisions on market design, the PUC EIM Group would continue to request that the guiding principle to inform those decisions be to have a market design that will allow for the participation of new EIM Entities who may decide to join the market.

ISO Response

Thank you for your response.

Memo re Section 205 Tariff Delegation Authority of the CAISO

Background

On August 13, 2013, the CAISO released its Energy Imbalance Market (EIM) Governance Proposal as part of its ongoing EIM stakeholder process. Pursuant to the proposal, the CAISO proposes to amend its tariff to provide an independent EIM governance structure specific, authorized EIM tariff authority. Additionally, because this will result in overlap between the CAISO market and the EIM market, there would need to be a mechanism by which to resolve potential conflicts in tariff language. This

arrangement would necessarily involve a delegation, from the CAISO to the new EIM governance structure, of Section 205 tariff authority. This type of delegation has historically been permitted by FERC.¹

Analysis of SPP and MISO

Both the Southwest Power Pool (SPP) and MISO (Midwest Independent System Operator) are organized markets (i.e., RTO, ISO, etc.) and are advised by state regulatory agencies in the form of advisory bodies that are incorporated as public benefit corporations. Both state advisory bodies have received increased authority from FERC via Section 205 delegation.

The SPP Regional State Committee (RSC), until recently, was the only state regulatory organization that had Section 205 filing authority – i.e., the ability to direct an RTO to make FERC Section 205 filings. According to the SPP Bylaws, the RSC has authority over cost allocation for transmission upgrades, allocation of market transmission rights, and regional resource adequacy. As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology under Section 205. The RSC has historically maintained a collaborative relationship with SPP and has never filed comments adverse to SPP's FERC filings.

Originally, MISO's Organization of MISO States (OMS) served merely as an advisory body to MISO and lacked Section 205 filing rights. According to the OMS Articles of Incorporation, the OMS provides a means for MISO states to act in concert on activities such as data collection, issue analysis, policy formulation, advice and consultation, decision-making, and advocacy. Unlike the RSC, the OMS has filed adverse comments to MISO's FERC filings on a number of occasions.

However, OMS' authority has recently changed. On January 4, 2013, MISO and the MISO Transmission Owners filed a request at FERC that would create the right for OMS to direct certain Section 205 filings by MISO (i.e., Section 205 filing rights), through an OMS Committee, in the area of transmission cost allocation.² As part of this filing, MISO and the MISO Transmission Owners entered into an agreement – the Transmission Owners' Agreement – to legally enable the utilities to delegate their Section 205 filing rights to MISO and OMS. However, based on OMS' intervention and comments on this matter, filed with FERC on February 8, 2013, it is clear that OMS and MISO have been

¹ See: *Atl. City Elec. Co. v. FERC*, 295 F.3d 1, 10 (D.C. Cir. 2002) (“utilities may choose to voluntarily give up, by contract, some of their rate-filing freedom under Section 205”). See also: *Southwest Power Pool, Inc.*, 106 FERC ¶ 61,110, at P 218 (approving, subject to compliance filing requirements, Section 7.2 of the SPP bylaws providing enhanced role for the RSC in cost allocation and other matters). See also: *Entergy Ark., Inc.*, 133 FERC ¶ 61,211, at P 15 (2010) (approving tariff revisions that would give the Entergy-Regional State Committee certain transmission planning and cost allocation authority).

² OMS' request for increased authority under Section 205 was not only related to the FERC Order 1000 compliance process at MISO, but also related to Entergy joining MISO. More specifically, as a condition of approving Entergy's bid to join MISO, the Arkansas Commission required that the OMS be provided full legally recognized Section 205 filing rights with regard to several regulatory activities.

in disagreement on just how this authority should be interpreted (with MISO seeking less authority than OMS originally requested).³

On May 23, 2013, FERC ruled on this issue by accepting the proposed revisions to Appendix K of the MISO Transmission Owners' Agreement and thereby rejected the arguments made by OMS in its February 8 filing. In its ruling, FERC noted the benefit of conferring Section 205 filing rights to state commissions, finding that Section 205 filing rights "can facilitate state consensus on certain regional issues, as well as a partnership between this Commission and state commissions". FERC additionally found that granting these filing rights to the OMS did not contradict FERC Order 2000 by violating MISO's independence, since MISO "retains the right to file its own proposals independent of the OMS Committee's direction". FERC did not agree with OMS' request that its Section 205 filing rights should not be contingent upon MISO making a filing or upon the integration of Entergy into MISO. In so ruling, FERC stated the following: "these requests would grant the OMS Committee Section 205 filing rights that go beyond the scope of the Filing Parties' (i.e., MISO and the MISO Transmission Owners) proposal and are thus beyond the scope of this Section 205 proceeding". FERC's ruling becomes effective upon the final integration of Entergy into MISO, which is still ongoing, but is anticipated to be complete by December 2013.

CAISO's Potential Delegation of Section 205 Authority

Regarding the CAISO's proposed delegation of Section 205 authority, FERC's primary concern seems to be with regard to independence and, specifically, maintaining the independence of the ISO or RTO, pursuant to FERC Order 2000. Another potential concern relates to FERC's finding in Order 719 regarding the need to balance stakeholder interests.⁴ However, in its most recent ruling on Section 205 delegation authority, FERC found no issue with either Order 2000 or Order 719 in approving the delegation of Section 205 filing authority from MISO to OMS. Additionally, it is important to note the high level of deference that FERC gave to MISO in its final determination – rejecting the arguments of stakeholders like AWEA, as well as the arguments of OMS itself. It is likely that FERC would give a similar level of deference to the CAISO, depending on the nature of the proposal and assuming that the CAISO's independence is maintained. Additionally, it seems relatively easy to succeed on any Order 719-based argument, as long as stakeholders have some preexisting avenue for expressing their views (CAISO's stakeholder process is notorious for its high level of involvement and will most certainly clear the Order 719 "hurdle"). It is also important to note that any such filing by the CAISO would have to pass muster under FERC's "not unduly discriminatory" test. However, without a formal proposal from the CAISO, it is impossible to conclude how FERC would rule on such a filing.

³ Specifically, the language in MISO's tariff that OMS takes issue with is: "If the Midwest ISO does not file changes to the Tariff, no OMS alternative cost allocation methodology will be filed with FERC by the Midwest ISO." The OMS argues that it should be able to direct the filing of a cost allocation methodology, and such authority should not be conditional on MISO's decision to change or not change its tariff.

⁴ In Order 719, the Commission's stated goal was to enhance the "avenue for customers and other stakeholders to present their views on RTO and ISO decision-making, and to have those views considered."

ISO Response

Thank you for your response.

Company**Date****Submitted By**

**Renewable Northwest Project
(RNP)**

9/6/2013

Cameron Yourkowski

Do you support the roles identified for the transition committee?

Yes, we view the transition committee as an efficient and balanced approach, allowing the EIM to get up and running while at the same time working to design an effective and independent governance structure. The transition committee approach will also allow any new issues that arise during the implementation and initial operation of the EIM to be addressed through the design and formation of the final governance structure.

ISO Response

Thank you for your response.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

RNP has no experience with the CAISO's "sector self-nomination process;" as such, we look forward to learning more about this process, how the sectors self-organize, and the role of the sector liaisons. With respect to the definitions of the sectors themselves, as a public interest entity, we offer that government agencies and public interest entities represent two distinct stakeholder groups. We suggest each have their own representation on the transition committee. Also, unless we missed it, there does not appear to be an explicit requirement to ensure regional diversity among the transitional committee representatives. A broad WECC-wide representation will improve the independence of the process and the attractiveness to potential EIM participants from around the WECC.

ISO Response

Stakeholder sectors will be self-governed, and will decide how to conduct their own voting and ranking process and entities will choose to which sector they believe they belong. Each entity is limited to membership in one sector only. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started.

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

The governance proposal suggests that the Transitional Committee be composed of both highly qualified and geographically diverse group of participants. The charter will give the Board discretion to ensure that geographical diversity occurs.

Do you support the number of members in the transition committee and its composition?

The number of members on the transition committee may need to be expanded per our comments in number two, above.

ISO Response

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

RNP strongly supports an independent EIM governance structure. We believe the independence of the governance structure is fundamental to the ultimate success of the EIM. As you are well aware, the more participants the EIM attracts, the broader the EIM footprint, the more diversity in load and generation patterns, the more valuable the EIM is to consumers, WECC-wide. The independence and the effectiveness of the EIM governance structure may be the primary concern of some utilities considering whether or not to join the EIM in the future.

ISO Response

Thank you for your response.

Company	Date	Submitted By
Southern California Edison (SCE)	9/6/2013	Gigio Sakota, Eric Little

The following are Southern California Edison’s (SCE) comments on the California Independent System Operator’s (CAISO) Energy Imbalance Market (EIM) Governance White Paper.⁵ SCE appreciates the opportunity to provide comments and participate in the stakeholder process.

SCE is supportive of CAISO’s proposed phased-in approach, where a Transition Committee would be formed first, and then a final governance proposal developed later through an appropriate stakeholder process. However, SCE has concerns with the proposed goals for this committee, as well as the approach to get there. The proper approach would be to: first determine which portions of the EIM are (or can be) independent of the CAISO market; then to determine which portions of the CAISO Tariff can be parsed out as to have separate sections dealing with the EIM only (i.e. what authority could the CAISO delegate); and then the final step would be to determine the

⁵ CAISO EIM Governance White Paper, published Aug 13, 2013. <http://www.aiso.com/Documents/EnergyImbalanceMarket-GovernanceProposalWhitePaper081313.pdf>

proper governance structure for the identified EIM specific tariff portions.

In SCE's understanding of the current CAISO / PacifiCorp EIM design, the EIM would be fully integrated with the CAISO's Real-Time Market. As a result, SCE does not foresee how one could meaningfully separate the tariff as to have EIM specific provisions that do not also impact the Real-Time Market within the CAISO's footprint. SCE strongly opposes the idea of having two independent boards with Tariff authority over the same market. Dual governance over essentially the same market would cause inefficiencies and potentially serious issues that may undo years of CAISO and stakeholder efforts to create the current CAISO Real-Time Market. One market should be governed by one board.

SCE proposes that the Transition Committee be tasked with exploring all feasible EIM governance options in a thorough stakeholder process, and then making its recommendation to the CAISO Board.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

It would be premature to determine which portions of the EIM tariff, or other market authority could be delegated, until the tariff has been vetted through the stakeholder process and the Transitional Committee has an opportunity to gain experience and perform its work in this process. The ISO does not contemplate two completely autonomous boards with authority over the same market.

Initial market design issues will be resolved through the already existing ISO stakeholder process. The Transitional Committee will have the ability to provide input on any changes to the market design as it gains experience with the EIM. The ISO encourages participation in its stakeholder processes by all interested parties. We suggest that interested parties take advantage of the existing comprehensive stakeholder process established by the governing Board in March 2013 to work on market design.

<http://www.aiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarket.aspx>

Do you support the roles identified for the transition committee?

SCE's concern is that there is no distinguishable set of tariff requirements that can be solely attributed to EIM that do not also have an impact on CAISO operations or markets in general. Given that, it is inappropriate to prejudice the outcome of the EIM governance stakeholder process as requiring an "independent" governance structure. While the

Transition Committee may end up recommending such a structure, this determination should be a result of a thorough stakeholder process. At this stage, it is conceivable to imagine alternative governance proposals that may not be independent of the current CAISO structure. In fact, maybe the current as-is governance structure would work well. The Transition Committee should explore all feasible governance options.

The FERC Decision on the Implementation Agreement⁶ supports SCE's view by stating: "According to CAISO's representations, the Implementation Agreement correctly recognizes that the ultimate design of the expanded energy imbalance market will be determined through a stakeholder process, the resulting section 205 filing to the Commission, and the Commission's ruling on that filing." Governance issues are an important part of the overall market design, and they should be decided after a comprehensive stakeholder process.

It is also important that the role and the charter of the transition committee is clarified and well understood by both the CAISO Board as well as the CAISO and EIM stakeholders. For example, all Transition Committee recommendations to the CAISO Board should be transparent, and mindful of both majority as well as minority views.

If the above concerns are addressed, SCE is comfortable with the proposed Transition Committee framework, as outlined in Section 3, items a, b & c of the CAISO White Paper.⁷ The committee's advisory role fits well within the current CAISO governance structure, and should provide a productive avenue for engaging EIM stakeholders and voicing their thoughts and concerns.

ISO Response

The tariff language is being drafted and revised through the ISO normal stakeholder processes. The Transitional Committee will have the benefit of that process and its outcome as they deliberate and develop a recommendation on an independent EIM structure.

As stated above the current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. The Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee. The ISO believes that this open stakeholder process will allow the transitional committee to develop its majority (and minority if appropriate) opinions for the discussion with the Board. And consistent with the ISO process, other stakeholders will also have the ability to address the Board.

⁶ FERC Decision in Docket ER13-1372-000 issued June 28, 2013, paragraph 35 at page 14.

⁷ CAISO EIM Market Governance White Paper, published Aug 13, 2013, at page 4.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

SCE is comfortable with the nomination and ranking process framework as proposed in the White Paper and presented at the last stakeholder meeting.⁸ While the stakeholder nominations and rankings are important and need to be considered, the CAISO Board should maintain the authority to use its best judgment in appointing the appropriate Transition Committee members.

For the sector definitions, there are multiple ways of grouping current CAISO and future EIM market participants and stakeholders. The proposed definitions seem like a reasonable option, although more details would be appreciated. For example, six sectors are identified, while there are seven proposed committee seats. Where does the 7th seat go? Does PacifiCorp get an automatic nomination as an EIM entity?

When selecting the committee members, the CAISO needs to recognize that the majority of the load in the combined CAISO / PacifiCorp EIM footprint will be served by the three California IOUs (PG&E, SCE and SDG&E). Therefore, the CAISO should ensure that at least one seat goes to a California IOU nominee.⁹ While including a variety of stakeholder groups in the Transition Committee is important, that should not come at the expense of three major EIM stakeholders not being directly represented.

ISO Response

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee but will give weight to the ranking process. The charter will, however, provide that at least one Transitional Committee member will be from an EIM Entity who has entered into a signed implementation agreement. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

In its October 4, 2013 revised governance proposal, the ISO has proposed to split the governmental agencies and public interest sector into two separate sectors, and there will thus now be seven sectors. The revised governance proposal will provide some additional description of each sector.

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. While some participants have sought a specific designated seat on the Transitional Committee, the ISO believes that to do so would be counterproductive and ultimately could lead to a Transitional Committee that is too large

⁸ At the August 20th meeting in Portland, CAISO clarified that any entity falling under multiple sector definitions, has to choose a single sector under which it wished to participate in the nomination and ranking process.

⁹ At the August 20th meeting, CAISO stated that the proposed "IOU" and "POU" sector definitions also include utilities outside of the CAISO footprint. Therefore, SCE infers that California IOU representation is not currently guaranteed.

and unwieldy to complete its job. The ISO Board will have the ultimate discretion to assure that the overall makeup of the committee will be capable of promoting broad interests.

Do you support the number of members in the transition committee and its composition?

As discussed in question # 2 above, SCE would appreciate more clarity on the disparity between the number of sectors (six) and the number of Transition Committee seats (seven). Is this seventh seat reserved for an EIM entity or maybe a specific sector?

The above point aside, the CAISO proposal strikes an appropriate balance in the number of committee members. Reducing this number could result in less broad of a representation of the wide range of views and concerns from the EIM stakeholders, while increasing this number could reduce the effectiveness of the committee.

ISO Response

The ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC. The October 4, 2013 revised governance proposal will provide some additional description of each sector.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

At present, SCE opposes an independent EIM structure as an explicit goal for the EIM governance stakeholder initiative. CAISO has not yet demonstrated a need or justification for setting such structure as a goal.

Considering the proposed market design¹⁰, SCE does not envision a practical and meaningful way to separate the EIM and Real-Time portions of the CAISO Tariff. As a result, SCE is very concerned about having a market structure where two independent boards can file tariff amendments at FERC with regards to the same EIM / Real-Time market. In the best scenario, such a construct would create a confusing governance structure with overlapping responsibility and authority. In the worst scenario, it would result in incompatible and/or contradicting tariff language and potential costly litigation at FERC and other venues.

It is worth noting that for market participants within the CAISO footprint, there is no option to “opt-out” and not participate in the EIM. By design, any CAISO market participant will have exposure to the integrated Real-Time and Energy Imbalance markets. However, the EIM Participants can voluntarily decide on a unit-by-unit and hour-by-hour basis whether or not to participate in the EIM.

¹⁰ As described in CAISO Energy Imbalance Market 3rd Revised Straw Proposal, published Aug 13. http://www.caiso.com/Documents/ThirdRevisedStrawProposal-EnergyImbalanceMarket-Aug13_2013.pdf

ISO Response

The ISO is intent on developing a governance structure that works for existing participants but equally important, that will attract additional EIM participants. Such participants will likely demand that they have a strong voice in matters pertaining to the EIM. It will be the Transitional Committee's role to review and develop recommendations to bring to the ISO Board, and the Transitional Committee will need to consider the specific delegated authority to propose to the Board. Consistent with the principles set forth in the initial governance proposal, that structure cannot create the potential for dueling filings at FERC, and thus the Transitional Committee will need to consider, depending upon the proposed structure, whether a conflict resolution procedure is appropriate.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

SCE believes that it's important that the Transition Committee function and act in a transparent manner, especially since it may not have an even representation of all stakeholders. Given that there are a limited number of positions on the committee, it is inevitable that a party seeking a position may not receive one. Therefore, it is imperative that such parties have every opportunity to have their voice heard by the CAISO Board. In order to achieve this, the committee should conduct its activities in a manner open to all stakeholders, and clearly communicate with the stakeholders prior to making any recommendations to the Board. This way, if there are any dissenting views remaining, the stakeholders would have an opportunity to prepare and share their comments.¹¹ Since the CAISO Board has a publically open process, then all entities would be able to address their concerns with any Transition Committee recommendation directly with the CAISO Board.

ISO Response

The Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by the Transitional Committee. For the long term effort to develop the independent structure, the Transitional Committee will operate a process similar to the ISO's with draft papers, open stakeholder meetings, and appropriate comment periods. The ISO believes that this open stakeholder process will allow the transitional committee to develop its majority (and minority if appropriate) opinions for the discussion with the Board. And consistent with the ISO process, other stakeholders will also have the ability to address the Board. This open process will help all parties have a voice in the efforts. It could be that the Transitional Committee desires the ISO staff to manage the stakeholder process as directed by the Transitional Committee. For the near-term work relating to EIM market simulations, start-up and initial operation, it may be preferred for the Transitional

¹¹ This is analogous to the current CAISO stakeholder process, where a Draft Final Proposal is posted prior to being sent to the CAISO Board for approval. Then the stakeholders have an opportunity to voice their support or opposition at the CAISO Board meeting where the proposal is debated for approval.

Committee to participate as part of the ISO stakeholder processes for expediency.

Other comments

In the EIM Governance White Paper, CAISO states:

"To achieve the second phase of the EIM governance implementation, the charter will require the Transitional Committee to develop a proposal for an independent EIM governance structure comprised of non-stakeholders. Moving to a structure comprised of participants who are independent of individual stakeholders will make it possible to satisfy FERC requirements for the ISO Board to delegate substantial authority over EIM, and provide for a governance structure that will allow for efficient, meaningful and nimble EIM market oversight."¹²

SCE would like clarification of this paragraph:

a) Is CAISO stating that there is a FERC requirement for the CAISO Board to delegate authority over the EIM? If so, please provide a reference to the FERC document(s) expressing this requirement.

b) Alternatively, is CAISO stating that: while there is no FERC requirement to delegate EIM authority, if CAISO was to do so, then it would be a FERC requirement for this new "EIM Board" to be independent of Market Participants? If so, please explain.

ISO Response

ISO clarifies that it is not stating that there is a FERC requirement to delegate EIM authority. If such delegation were to occur, however, FERC has independence requirements for an ISO, based upon its role of providing open access for transmission services. If the EIM governance structure is delegated any role in administering the EIM tariff, such as Section 205 filing rights, the governance structure must be independent of EIM market participants. Therefore, to obtain FERC approval of that delegation, the Transitional Committee should be aware that independence is a pre-condition.

Company	Date	Submitted By
Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities)	9/6/2013	Bonnie Blair, Rebecca Sterzinar

Do you support the roles identified for the transition committee?

The Six Cities do not at this time take a position with respect to the roles identified for the transition committee.

ISO Response

Thank you for your response.

¹² CAISO EIM Market Governance White Paper, published Aug 13, 2013, at page 12.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

With respect to the sector definitions, the ISO's proposal to have one sector that encompasses all publicly-owned utilities is problematic. Publicly-owned utilities within the ISO may have interests that are very different from the interests of publicly-owned utilities located outside of the ISO. The same is true with respect to investor-owned utilities. It may be beneficial to create additional stakeholder sectors so that utilities located within the ISO will be included in separate sectors from those utilities that are located outside of the ISO. Alternatively, rather than having only one representative for all publicly-owned utilities included as part of the transition committee, the Six Cities recommend electing two representatives from the publicly-owned utilities sector – one representative that is located within the ISO and one that is located outside of the ISO. At this time, the Six Cities do not take a position with respect to the nomination and ranking process for the transition committee.

ISO Response

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

With its revised white paper, the ISO will split the governmental agencies and public interest sector into two separate sectors, and there will thus now be seven sectors.

The governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee.

It is important to note that a goal of the Transitional Committee is the overall task of developing a long-term independent governance structure. As such, the Transitional Committee membership demands high competencies and it also demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

Do you support the number of members in the transition committee and its composition?

As explained in response to Topic 2, the Six Cities do not support the number of members in the transition committee to the extent that the committee would include only one member from each sector, despite the fact that certain sectors may include entities with very different interests. As noted, publicly-owned utilities within the ISO may have interests that differ from the interests of publicly-owned utilities located outside of the ISO. Therefore, the ISO's proposal to appoint only one representative from the

publicly-owned utility sector is inadequate to effectively represent the interests of all stakeholders included in that sector.

ISO Response

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities.

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee. As stated above, the Transitional Committee membership demands high competencies and it also demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

The Six Cities do not take a position at this time as to the independence proposals for long-term independent EIM structure.

ISO Response

Thank you for your response.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

The Six Cities have identified no details that are not covered here that should be included in the next round.

ISO Response

Thank you for your response.

Other comments

The Six Cities have no additional comments at this time.

ISO Response

Thank you for your response.

Company	Date	Submitted By
Sacramento Municipal Utility District (SMUD)	9/6/2013	Andrew Meditz

Do you support the roles identified for the transition committee?

SMUD generally supports the roles identified for the Transitional Committee, however, given the importance of establishing a long-term independent governance structure, it is critical that the Transitional Committee have sufficient representation from a crosssection of the industry to ensure different perspectives are taken into account. This may necessitate a slightly larger group than the seven members being proposed. SMUD also notes that the Transitional Committee is intended to address “all matters pertaining to

the setting of transmission access charges or rights...” White Paper at 10. SMUD has already expressed its concerns with respect to the deferral of this issue and continues to support the establishment of a methodology and rate for transmission access in the ongoing EIM stakeholder process. Since there would possibly be a gap between the establishment of an independent board and the need to true up EIM transmission rates, however, this is likely within the scope of advisement that the Transitional Committee should provide to the ISO Board.

ISO Response

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

The Transitional Committee may provide input on all issues related to EIM implementation and start-up, which may include rates. Although the Transitional Committee may provide input on implementation and start-up issues, this input is not intended to supplant the ISO’s ongoing EIM stakeholder efforts in this area, but rather only to supplement that process. We suggest that interested parties continue to take advantage of the existing comprehensive stakeholder process.

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

Do you support the sector definitions and the nomination and ranking process for the transition committee?

A. SMUD suggests splitting the “Government agencies and public interest entities” sector into two separate sectors. Although government agencies may share some commonalities with public interest entities, for the most part they represent different interests and often have different perspectives. This is part of a broader concern, discussed further below, with respect to how to provide an effective and reasonably accurate mix of sector input while maintaining the effectiveness of the committee.

B. SMUD requests the CAISO to clarify its use of terms in the White Paper. For example, whether the sector “EIM participants” is different than an EIM Entity sector. If so, what is an EIM participant? Is an “EIM participant” the same as an “EIM market participant”?

C. The process for nomination and ranking does not make clear that a sector-nominee from each sector will be appointed to the Transitional Committee. SMUD interprets the proposal as stating that after each sector ranks all nominees (both selfnominations and sector nominations from each of the sectors), these six lists are compiled into a single list from which the CAISO Board will make appointments. Accordingly, the top six candidates may not represent each of the six sectors, rather are representative of ranking (and CAISO Board discretion). As noted previously, given the importance of the issues being addressed by the Transitional Committee, it is essential that the composition reflects the sectors, as ultimately determined in this process.

As an alternative, SMUD recommends the CAISO ensure that each sector is

represented on the Transitional Committee. To do this, the nomination and selection process could mirror the Southwest Power Pool's (SPP) Corporate Governance Committee which is responsible for the overall governance structure for SPP. This Committee has industry sectors similar to the ones proposed by the CAISO (i.e. producers/marketers, investor-owned utilities, municipals) and each sector selects its own representative to serve on the Committee. This recognizes that the members of each sector are best-suited to select a representative to advance their unique interests.

ISO Response

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

Definitions relevant to the EIM are defined in the Draft Final Proposal:

<http://www.caiso.com/Documents/EnergyImbalanceMarket-DraftFinalProposal092313.pdf>

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. While some participants have sought a specific designated seat on the Transitional Committee, the ISO believes that to do so would be counterproductive and ultimately could lead to a Transitional Committee that is too large and unwieldy to complete its job. During the sector nomination process, the governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

Do you support the number of members in the transition committee and its composition?

With respect to composition, as previously noted, SMUD recommends that the sectors be maintained on the Transitional Committee.

Assuming this sector representation is preserved, SMUD further believes that the proposed limit on number of members may not allow for proper representation. For example, in the publicly owned utilities (POU) sector alone, there are POUs inside the CAISO Balancing Authority Area (BAA) and outside the CAISO BAA. Of those POUs outside of the CAISO BAA, there are those inside and outside of California. The systems and regions represented are vastly diverse – e.g., some with transmission and others that are transmission dependent utilities, some with very small loads (under 20 MW) and some with large loads (over 6000 MW). Of course, this issue of significant diversity can be said about most of the proposed sectors. One option is to expand the

sector representation, while not allowing the Transitional Committee to become unwieldy. For example, the NERC Member Representatives Committee, which, among other things, provides advice to the NERC Board,¹ allows for two sector representatives. This does not appear to be too large for the task and two members per each sector seems appropriate for the Transitional Committee.

In summary, SMUD does not share the CAISO's concern that a Transitional Committee consisting of more than seven members would jeopardize the accomplishment of the committee's goal. In fact, SMUD believes it could enhance the process. Indeed, considering the scope of the proposed EIM and the diverse group of entities in the Western Interconnection, additional members would provide different and important perspectives. Moreover, given the amount of work load during the proposed two-year commitment, and considering this effort is in addition to their daily jobs, two representatives per sector allows collaboration and division of tasks.

ISO Response

As previously stated, the Transitional Committee membership demands high competencies and it demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector. The ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

SMUD supports an independent EIM governance structure. While this is a matter for further discussion and details, the concept of independence from the existing CAISO governing structure is essential given the regional nature of an EIM. This will allow the future CAISO Board to focus on issues relevant to EIM operations and not be placed in conflict between two potentially diverse sets of interests. Indeed, it is not hard to envision how future operational or cost allocation issues might give rise to conflicts between CAISO and EIM participants.

ISO Response

Thank you for your response.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

A flow diagram would be helpful to ensure clarity of the processes involved in the selection of the Transitional Committee, as well as a diagram showing the expected dates and related timelines for activities of the Transitional Committee and transitions

¹ According to its website, "[t]he Member Representatives Committee elects independent trustees, votes on amendments to the Bylaws, and provides advice and recommendations to the Board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the corporation." See, <http://www.nerc.com/gov/bot/MRC/Pages/default.aspx>

from this structure to that of an independent board.

Additionally, it is unclear how the mechanics of assembling nominees will occur. Will this occur by market notice and a required affirmation of sector by stakeholders? How and/or will trade organizations be able to nominate or participate? At bottom, the detailed mechanics of the selection process is still unclear and given the vast regional scope of interested stakeholders, and needs to be better defined.

Finally, the next version should contain additional clarification of terms, particularly with respect to classes of stakeholders.

ISO Response

The ISO is developing a process diagram and anticipates including that with the next draft of the governance proposal and charter. The ISO has also proposed with the revised governance proposal a preliminary schedule for formation of the sectors.

Stakeholder sectors will be self-governed, and will decide how to conduct their own voting and ranking process and entities will choose to which sector they believe they belong. Each entity is limited to membership in one sector only. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started.

Other comments

SMUD appreciates the CAISO addressing EIM Governance in this separate stakeholder initiative. Establishment of an appropriate Governance structure, both for the initial transition and for the long term, is key for a successful EIM.

ISO Response

Thank you for your response.

Company	Date	Submitted By
Salt River Project (SRP)		

SRP appreciates the opportunity to continue participating in CAISO's EIM stakeholder process. Establishing the appropriate governance structure is a critical component of implementing the EIM. SRP believes that the CAISO's governance proposal provides a solid framework to accomplish the goal.

SRP offers the following recommendations related to the Transitional Committee:

1.

SRP recommends that each of the six sectors be represented on the Transitional Committee. Although nominations were required to come from each sector, it wasn't clear that the ISO Board would have to choose a candidate from each segment.

ISO Response

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. While some participants have sought a specific designated seat on the Transitional Committee, the ISO believes that to do so would be counterproductive and ultimately could lead to a Transitional Committee that is too large and unwieldy to complete its job.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations). It is important to note that an important goal of the Transitional Committee is the overall task of developing a long-term independent structure. As such, the Transitional Committee membership demands high competencies and it demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

2.

Furthermore, SRP recommends that each stakeholder sector only rank the nominees within their respective sector. The proposal appears to indicate that each stakeholder sector would rank all nominees. It is not appropriate for other sectors to weigh in and rank another sector's candidates. The ultimate purpose is for the approved member to represent its sector on the Transitional Committee.

ISO Response

The governance proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee.

3.

SRP recommends that each sector be represented by two (2) Transitional Committee members. The volunteer Transitional Committee members will need to accomplish a tremendous amount of work that has lasting consequences. Two members per sector will help share the responsibilities while still keeping the committee at a reasonable size. Additional members will also help to achieve CAISO's stated goal of geographic diversity. Finally, with only one member per sector, it will be difficult to select one member that represents the perspectives of that entire sector.

ISO Response

As noted above, the Transitional Committee is not intended to be a committee in which

each member represents the interest of one particular sector. The ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC. The revised white paper will provide some additional description of each sector.

4.

SRP recommends that the CAISO clarify that the CAISO staff person assigned to the Transitional Committee will provide or arrange for administrative support in addition to attending meetings and advising the Committee.

ISO Response

The ISO will further detail the role of the Transitional Committee liaison in the next draft of the governance proposal, and the draft charter, but it is anticipated that the liaison will provide assistance as needed, including coordination of legal and market subject matter experts, stakeholder process assistance, and administrative support to each of the sectors and the Transitional Committee.

Company	Date	Submitted By
Transmission Agency of Northern California (TANC)	9/6/2013	

The Transmission Agency of Northern California (TANC) appreciates the opportunity to provide comments on the California Independent System Operator’s (CAISO) August 13, 2013 Energy Imbalance Market (EIM) Governance Proposal.

In the Governance Proposal, the CAISO uses the terms “EIM market participant” and “EIM stakeholder.” Given the use of defined terms in the EIM Straw Proposals, as well as the evolution of various definitions, the CAISO’s Revised Governance Proposal should further identify and define the terms “EIM market participant” and “EIM stakeholder.”

Also, there appears to be a fair amount of ambiguity regarding the role of the EIM Transitional Committee and the CAISO Board regarding the development, selection, and ultimate function of the independent EIM governance. Accordingly, TANC requests the CAISO to specify these roles in the Draft Charter and/or Revised Governance Proposal in order to help provide clarity regarding the development of the independent EIM governance structure.

ISO Response

Definitions relevant to the EIM are defined in the Draft Final Proposal:
<http://www.aiso.com/Documents/EnergyImbalanceMarket-DraftFinalProposal092313.pdf>

The purpose of the Transitional Committee is to advise the ISO Board and ISO

management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members' experience and qualifications, and the experience gained through EIM operation. A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

Company	Date	Submitted By
Turlock Irrigation District (TID)	9/6/2013	John Perry

Do you support the roles identified for the transition committee?

TID believes the roles assigned to the EIM Transition Committee are correct and the CAISO should direct this committee to complete its work and move toward the formation of an independent EIM Board of Governors as soon as possible. TID believes that the CAISO should give deference to all suggestions, proposals, and comments made to the CAISO in regards to structure, form, and operation of the regional EIM Market.

ISO Response

The ISO Board will carefully consider all proposals from the Transitional Committee consistent with its charter to advise the Board. The Board, however, cannot commit to provide any particular level of deference in advance.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

TID believes the nomination and ranking process is appropriate and will yield the appropriate outcome of a functional EIM Transition Committee

ISO Response

Thank you for your response.

Do you support the number of members in the transition committee and its composition?

TID believes the number of members will allow for sufficient representation of all sectors on the EIM Transition Committee. TID believes that of the seven potential members, the CAISO should strive to ensure that one member maintain a firm foundation of knowledge from each of the defined sectors; i.e. one member have extensive experience in the Publicly Owned Utility sector, another member being from the Investor Owned Utility sector... to ensure that the viewpoints of all sectors are represented well.

ISO Response

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional

Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a geographically diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

TID supports the independence of the EIM Board of Governors. TID believes the CAISO should leave the selection of initial and ongoing EIM Board of Governors nominations up to EIM Participating Entities. It is inappropriate for a California entity to make the appointments to a regional board, and those entities with a direct stake in the EIM market should have a direct say in its governance.

ISO Response

The ISO is intent on developing a governance structure that works for existing participants but equally important, will attract additional EIM participants. Such participants will likely demand that they have a strong voice in matters pertaining to the EIM. The ISO has not proposed any ultimate structure at this stage. That's an issue for the Transitional Committee to review and develop recommendations to bring to the ISO Board.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

TID cautions against implementing too many CAISO-centric EIM initiatives. If the intended result is an independent regional EIM Board of Governors, the board and its policies must maintain enough objectivity and flexibility to accommodate EIM consistently across the entire WECC region. TID instead recommends the CAISO seek out a construct more akin to a durable contractual arrangement between the EIM and the CAISO. This would allow the EIM to take advantage of the infrastructure of the CAISO and allow the CAISO to reduce the total costs of the CAISO infrastructure to existing participants.

ISO Response

It will be the task of the Transitional Committee to consider options and present their recommendation based on full consideration of the merits of this and other approaches.

Other comments

TID appreciates the opportunity to make comments on the CAISO Energy Imbalance Market Governance Proposal. TID believes that once the EIM Board of Governors is fully autonomous, it is important that all EIM Entities interact with the EIM Board of Governors on equal footing. If EIM is to achieve regional adoption, participating entities must interact with equal deference and standing.

ISO Response

As noted above, the Transitional Committee will make recommendations on an independent EIM structure and process.

Company	Date	Submitted By
TransAlta Corporation	9/6/2013	Cameron Stonestreet

Do you support the roles identified for the transition committee?

Yes, the general scope of roles seems reasonable at this time. However, we may have further comment, as the specifics of the roles and how they be undertaken becomes clearer.

ISO Response

Thank you for your response.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

The definitions provided for the sector definitions seem reasonable. It is unclear on how the nomination and ranking process is going to take place. For instance, how are sector groups to get together to nominate candidates? How will CAISO recognize the specific stakeholder groups? Also when the group is formed, how will representative candidates be chosen and recognized for each stakeholder group?

Finally, it seems the rankings from each sector group are to be submitted to the CAISO. The CAISO then makes a final determination of Transition Committee Members. This process seems a little opaque. Will CAISO set publically available clear selection criteria and provide justifications for the selected candidates?

ISO Response

Stakeholder sectors will be self-governed, and will decide how to conduct their own voting and ranking process and entities will choose to which sector they believe they belong. Each entity is limited to membership in one sector only. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started.

The ISO Board will have discretion as to final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

Do you support the number of members in the transition committee and its composition?

We agree a total of seven members with one position reserved for the EIM Entity should provide sufficient resources to complete the work without excessive numbers to make arriving at decisions difficult. However, at this time, it seems PacifiCorp is the only EIM Entity so this is essentially a position for representative PacifiCorp. Is this correct?

We support the addition of up to two additional seats being available for new entrants to the EIM. This leads to two questions:

- 1.) How late in the process would CAISO allow new members to join the Transition Committee if a new BAA joined the EIM?
- 2.) If only one new member joined, there would be an even number of members, how would tie votes be resolved?

ISO Response

The ISO Board will have discretion in establishing the overall composition of the Transitional Committee. The charter will, however, provide that at least one Transitional Committee member will be from an EIM Entity who has entered into a signed implementation agreement. Because PacifiCorp is the only such entity and has been involved in this process on an on-going basis, it is reasonable to assume that a PacifiCorp representative will be a member of the Transitional Committee.

Upon further reflection, based on the various comments received, the ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

New members to the Transitional Committee will be subject to ISO Board approval. Earlier membership will provide for the most meaningful opportunity for participation. While no particular deadline is currently proposed, it may not be feasible to add a new member on the eve of the completion of the Transitional Committee's work.

The proposed charter includes a process for the Transitional Committee to handle tie votes on proposed recommendations and opinions it presents to the Board.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

Notionally, this seems like a reasonable approach. Without further details as to the interactions of the CAISO and EIM Entity, it is difficult to say definitely whether this would provide additional benefit or add more complexity and costs to the system.

ISO Response

Thank you for your response.

Are there details not covered here that you would suggest be included in the next round that will include a draft charter?

The inclusion of definition section for key roles and concepts would be helpful. For example, who would be considered an EIM stakeholder for the purposes of nominations and ranking?

ISO Response

Additional information on the sector definitions can be found in the revised governance

proposal.

Other comments

No Compensation for Committee Members:

A lack of compensation for costs of participation may have undesirable impacts:

1. Reduce the number of potential strong nominees
2. Reduce the number of diverse regional participants because their travel cost could be significant
3. Increase the likelihood willing participants would only participate in order to achieve personally beneficial outcomes
4. Reduce the likelihood viable candidates from smaller, less financially robust organizations would participate due to costs

We suggest the EIM partner organizations consider funding all or part of the costs of Transition Committee Member participation.

ISO Response

The ISO believes that as an advisory committee to its Board, members should serve without additional compensation or cost reimbursement, outside their affiliated entities.

Company	Date	Submitted By
Valley Electric Association, Inc. (VEA)	9/6/2013	

Valley Electric Association, Inc. (VEA) supports the efforts of the California Independent System Operator Corporation (CAISO) to develop an energy imbalance market (EIM) in the Western Interconnection. VEA submits the following comments on the CAISO Governance Proposal, dated August 13, 2013.

VEA supports the creation of the Transitional Committee, to advise the CAISO Board on EIM implementation, as well as to propose a path to a long-term independent EIM governance structure. In order to ensure meaningful participation in the EIM, VEA believes that it is important to establish an independent EIM governance structure.

VEA supports the proposed sector approach to nomination of members of the Transitional Committee; however, VEA would like to clarify that the “publically owned utilities” sector includes member owned electric cooperatives, like VEA.

VEA supports the requirement of geographic diversity for Transitional Committee members; however, the candidate also should have a nexus with the CAISO market. In addition, VEA proposes that the CAISO consider requiring that at least one member of the Transitional Committee be from Nevada. Nevada will likely play a key geographic role in the development of an EIM market, since it lies between the eastern system of PacifiCorp and the CAISO Grid. In addition, the CAISO Grid now extends into Nevada as a result of VEA becoming a CAISO PTO, which is the only expansion of the CAISO Grid outside of California. Given the interests of Nevada in the development of an EIM

market, it is important that Nevada be represented on the Transitional Committee. VEA appreciates the opportunity to submit these comments and looks forward to continuing to participate in the CAISO's EIM stakeholder process.

ISO Response

Any interested party can self-nominate to the sector they believe they best fit in and a member owned electric cooperative can elect to join the publicly owned utilities sector. The Transitional Committee is being formed with the intent of providing EIM entities and stakeholders with a voice in the EIM development, implementation and governance. A guiding principle for the ISO's governance proposal is the governance structure should promote the successful implementation of EIM. Because successful implementation depends upon broad participation in EIM, the ISO Board will have a strong incentive to properly consider all interests rather than elevating any one entity or interest over another. The ISO believes that the best way to achieve a balanced presentation of these interests to the Board will be through the stakeholder process combined with the efforts of the Transitional Committee. The Governance Proposal does not contemplate or guarantee a seat to any entity and will rely on the nomination and ranking process with the ISO Board having the final decision on seats according to expertise and geographical diversity.

Company	Date	Submitted By
Western Area Power Administration (WAPA)	9/6/2013	

1.
Based on Western's understanding of what was presented by the CAISO at the stakeholder meetings, the minimum eligibility requirements for an EIM entity is a NERC-registered balancing authority area. Could you please confirm that this is true?

ISO Response

Yes, an EIM entity must be a registered BAA.

2.
As an owner and operator of over 17,000 miles of high voltage transmission lines, Western believes it is imperative that it be compensated whenever any excess transmission capacity is used by others in the furtherance of EIM activities (i.e., no free transmission), and furthermore, that whenever such transmission capacity is used, that such usage is properly tracked and accounted for.

ISO Response

NOTE: This response was also included in the responses to the third revised Straw Proposal.

As implementation planning has progressed with the first EIM Entity (i.e., PacifiCorp), it is apparent that no "as-available" or "free" transmission will be in use between the ISO and PacifiCorp. Instead, PacifiCorp Energy (which operates PacifiCorp's merchant

functions), as a transmission customer and EIM Participating Resource, will offer firm transmission rights that it currently subscribes to, on the Pacific AC Intertie and between its own BAAs, for use in EIM for any potential Market Operator dispatch instructions resulting in schedules between BAAs. PacifiCorp will notify the Market Operator with the amount of transmission that is available for EIM transfers through the transmission profile on dynamic e-Tags. As explained in section 3.8 of the Draft Final Proposal, EIM transmission usage will be limited to the amount that is made available by transmission customers and transmission service providers within EIM Entities' BAAs.

3.

Western believes that EIM should not cause any valid forward energy schedules to be curtailed. Western seeks clarification from the CAISO regarding EIM's usage of an EIM Entity's transmission capacity. By becoming an EIM entity, what portion of the EIM entity's transmission capacity must the EIM entity make available to the CAISO EIM? What physical priority would the EIM Entity have in using its transmission capacity for its EIM base-schedule and non-EIM energy schedules? If an EIM entity's Base-Schedule and non-EIM Schedules are within the scheduling limits of its internal paths and at the interties according to the EIM Entity's own congestion management protocol, but the CAISO EIM shows congestion on the EIM entity's facility because of "loop flows" caused by resources of other entities in the CAISO EIM footprint, what scheduling priority protection is afforded to the non-EIM-schedules on the EIM Entity's own transmission? In Section 3.4.2 Congestion Management of the 3rd revised proposal, it is stated that "transmission constraints will be relaxed ... and the EIM Entity will become responsible for managing its congested constraints ..." Does the CAISO expect the EIM Entity to curtail its forward energy schedule on its own transmission facility to accommodate EIM power flow or deny the tags of the EIM power flow?

ISO Response

NOTE: This response was also included in the responses to the third revised Straw Proposal.

The progress of implementation planning with PacifiCorp has allowed additional explanation in section 3.8 of the Draft Final Proposal. EIM has no provisions that would cause it to curtail valid forward energy schedules. In the event that schedules are curtailed through WECC's UFMP or ECC processes, or other similar processes, the priority of EIM's transmission usage will be determined by the transmission rights that are made available to EIM. For example, PacifiCorp Energy will make its capacity on scheduled paths available to EIM through the transmission profile of dynamic schedules, and PacifiCorp Energy holds firm transmission rights, which would be honored through existing curtailment procedures. In the event that a transmission service provider makes its capacity available within its EIM Entity or as otherwise unused capacity on interties between EIM Entities, EIM's dispatch processes will not curtail existing self-schedules using the same transmission systems. EIM's dispatch process will not add to flows on congested transmission, and may provide counterflow that relieves congestion. In the event that EIM has used all of its available bids to relieve congestion, but flows on congested transmission still exceed the transmission network's capacity, the EIM Entity

and transmission service providers within its BAA would use other available mechanisms (e.g., WECC's UFMP or ECC) to manage the remaining congestion.

4.

Western believes that the nomination and appointment process for both the transition and the permanent governing committee should be structured to ensure that the self-nominated members are appointed by the CAISO Board in an open, fair, and transparent manner. It is critical that the governing board is truly independent and representative of all parties involved in EIM today and into the future.

ISO Response

The appointments to the Transitional Committee will be conducted in an open, fair, and transparent manner through open, public meetings of the ISO Board. These Board meetings allow interested parties to have a chance to be heard in addition to the stakeholder process and Transitional Committee. A guiding principle for the ISO's governance proposal is the governance structure should promote the successful implementation of EIM. Because successful implementation depends upon broad participation in EIM, the ISO Board will have a strong incentive to properly consider all interests rather than elevating any one entity or interest over another. The ISO believes that the best way to achieve a balanced presentation of these interests to the Board will be through the stakeholder process combined with the efforts of the Transitional Committee.

Supplemental Comments

The manner in which the EIM structures transmission services related to transmission used for transfers within and between BAAs within the EIM footprint is an area of concern for Western. The EIM is proposing to track transmission utilization through an after the fact dynamic tagging process. Western operates 3 of the 6 constrained paths within the Western Interconnection. At times unscheduled EIM flows may have a direct impact one or more of these constrained paths. Western feels strongly that the EIM must have the ability to track transmission utilization on a path specific real time basis differentiating between normal inadvertent power flows and EIM flows in order to have the ability to accurately manage congestion associated with EIM activities within our specific BAA. Western also believes that some form of loss recovery and transmission revenue recovery mechanism must be developed for transmission utilization across the EIM.

ISO Response

NOTE: This response was also included in the responses to the third revised Straw Proposal.

EIM's use of dynamic e-Tags is not only "after the fact". As explained in section 3.8 of the Draft Final Proposal, dynamic e-Tags will be used to communicate the available transmission capacity before real-time, and will be subject to the normal approval process of all transmission service providers along the scheduled transmission path between the ISO and EIM Entities. This process provides these transmission service providers with the ability to track transmission utilization and manage congestion as

would normally occur for dynamic schedules. Loss recovery and transmission revenue recovery will also be established through the normal protocols for dynamic schedules between the ISO and EIM Entities.

Company	Date	Submitted By
Western Power Trading Forum (WPTF)	9/6/2013	Ellen Wolfe

Additional structure is needed in order for stakeholders to provide meaningful input

WPTF recognizes that the ISO in engaging in this process from the perspective of not wanting to pre-determine the outcome, and ensuring all interested Stakeholders are equally represented. WPTF supports broad representation. We also recognize that there is a natural dilemma whereby it is challenging to design and seat a transition committee and independent board without knowing the ultimate organizational structure and relationship of the ISO and EIM boards. Yet the ISO suggests that some of these decisions should be left for the transition committee.

In order for stakeholders to provide meaningful input on the best way to design a governance structure, the parameters about how the EIM board will be related to the ISO board, and the extent to which the ISO will cede 205 filing rights on the tariff for example, need to be explicitly established up front. It is WPTF’s view that these issues are not only germane to the governance model ultimately developed, but also to the way it is developed. Our views on a suitable transition committee mechanism are strongly dependent on the parameters within which it will operate. We would also suspect that the level of interest of individuals and organizations in participating in the transition committee will be influenced by these parameters.

ISO Response

The purpose of the Transitional Committee is to advise the ISO Board and ISO management on matters related to start-up and early implementation of EIM and to propose a path to an independent EIM governance structure. An objective of the Transitional Committee is to develop a proposal for an independent EIM governance body based, in part, on experience and knowledge gained during the initial phase. The current proposal intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee, the members’ experience and qualifications, and the experience gained through EIM operation. A draft Transitional Committee charter will be published concurrently with these comments, on October 4, 2013, and will provide further detail on the role of the Transitional Committee.

The key goal of the EIM governance process should be to reach an end-state whereby a well-designed and consensus-based structure, constitution and role of the EIM independent board is filed with FERC

WPTF believes the key output of the EIM governance efforts should be the development of a filing to FERC that is vetted broadly that (1) defines the independent board structure, (2) clearly specifies its relationship to the ISO board, including which

organization has 205 authority of which tariff sections as well as a means for resolving conflicts on any areas of overlapping authority, and (3) details how the initial and replacement members of the board will be chosen.

While these outputs seem clear, WPTF is less convinced of the specific means by which these outputs are generated, be it through the ISO's proposed transition committee mechanism, through a broad stakeholder process that the ISO administers, or otherwise.

ISO Response

The ISO's initial review of relevant legal authorities indicates that the ISO Board may delegate certain aspects of Section 205 authority, subject to FERC approval. While it is unlikely that the ISO could assign complete autonomy to separate body under existing law, and there are limits to what can be delegated, the ISO is confident that a structure can be designed that works within the confines of existing law and provides meaningful authority over EIM. The specific legal requirements will depend upon the precise structure proposed. Thus, as part of the EIM governance proposal, the ISO has committed to providing legal analysis and guidance as to any governance structure the Transitional Committee considers.

More information on the issues such as replacement member selection will be provided in the draft charter.

More input is needed as to the benefits of the proposed transition committee structure

The ISO has proposed a stakeholder-segment nominated transition committee that would advise the ISO board as the PacifiCorp EIM goes operational and then ultimately assist in designing an independent board process for the EIM.

WPTF appreciates the ISO's commitment to engaging a diverse set of committee representatives and relying on the input of organizations and representatives not historically represented in the traditional ISO market. WPTF also agrees that an EIM oversight structure distinct from the ISO board is important to the continued expansion of the EIM. As a result WPTF can envision that a transition committee mechanism such as that proposed could add the important representation and perspective sought after. However, WPTF at the same time fears that given inherent challenges the proposed committee may not effectively operate to accomplish its desired output or may otherwise fail to provide the desired legitimacy and quality outputs for a number of reasons, including the following.

- The ISO's proposed stakeholder segment nomination and voting process is complex and time consuming. (It will itself take stakeholder resources from other EIM activities);
- To become an effective well-functioning committee will require an inordinate amount of mobilization and self-organization of existing and emerging interest groups, and all the means for accomplishing the outreach by committee members will have to be created from scratch. This will be a very large effort itself and runs the risk of failing and thereby undermining the objective that the transition committee does a good job of representing a geographically broad set of interests.
- The required skill sets of committee members to (1) get the PacifiCorp EIM up and

running and (2) design and vet and seat a new independent board (including addressing all the related political challenges) may be very different, and thereby the ISO's goals of accomplishing these two tasks through a single committee may prove infeasible or ineffective.

- The stakeholder segment nomination and voting structure if not carefully designed and monitored could result in not seating an unbiased, diverse, and effective set of committee members.

For these reasons and others WPTF suggest that the ISO consider further the relative merits of forming and using a transition committee structure as proposed based on the feedback received from stakeholders – including those broader stakeholders the ISO wishes to include in particular for EIM issues - on this proposal. At this time, while WPTF has some significant concerns about the transition committee, such as those indicated above, we remain open to the possibility of the transition committee approach as well as other approaches. The balance of our comments addresses the specifics of the ISO's transition committee proposal.

ISO Response

Stakeholder sectors will be self-governed, and will decide how to conduct their own voting and ranking process and entities will choose to which sector they believe they belong. Each entity is limited to membership in one sector only. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate.

The ISO Board will have discretion as to the final decision related to the selection process but will give weight to the ranking process. Also, the charter will limit the Board's selection to nominees that appear on the ranked lists provided to the Board by the stakeholder sectors (which will include rankings of self-nominations).

The implementation of EIM will be assisted in great part by the ISO stakeholder process which should provide the additional support needed for that purpose. The Transitional Committee will also have the ability to utilize other resources and expertise as it deems necessary to fulfill its functions through an open and transparent stakeholder process. The ISO encourages participation in its stakeholder processes by all interested parties. <http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarket.aspx>

The proposed approach to seating the transition committee seems overly cumbersome

WPTF appreciates that the development of the governance mechanism needs to be perceived as fair, inclusive, and free from dominance by any one sector, state or organization. This goal is laudable. However, the design in the white paper, with its cross-sectorial evaluation of potential members and numerical rankings strikes us as far more "process" than necessary, particularly given that its recommendations are not binding on the ISO board. We strongly urge the ISO to re-think its approach to constituting the body that will develop a governance recommendation, with an eye to a less complicated process that can achieve the same goal. One possibility might be to simply issue an "open call" to interested parties to self-nominate. The ISO board, with

the advice of ISO staff, could then select a representative body from among those who expressed interest.

ISO Response

The ranking and nomination process will allow interested parties the opportunity to participate in the process. Also note that the sectors will rank all nominees including those nominated by other sectors and those that self-nominate. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started. The ISO Board will be required to choose from the ranked lists of nominees provided by the sectors. Additional information on the nomination and ranking process will be described in the revised governance proposal.

More details are needed regarding the segments

It is unclear from the proposal how stakeholders will be identified and segmented. The ISO has records of existing scheduling coordinators, but these SCs are neither linked to specific segments nor do the current SCs represent the totality of all the interested stakeholders for the EIM. WPTF also is somewhat concerned about how market participants that fit into more than one category will be treated. WPTF is aware that in at least one other market IOUs are not allowed to designate themselves also as “generators”. Stakeholders need to consider whether an entity will be considered in only one segment or in multiple segments. And careful consideration is needed to ensure the segmentation does not result in biases.

The segments proposed are broad, and while WPTF does not have specific objections to the limited segments, we note that the generator/marketer segment is somewhat problematic in that generators and marketers at times have opposing interests. Certainly if, based on others’ feedback the ISO expands the number of segments, WPTF requests that the ISO consider splitting the generator/marketer segment.

ISO Response

As noted above, the revised governance proposal will provide some additional description of each stakeholder sector. Sectors will be self-governed, and will decide how to conduct their own voting and ranking process and entities will choose to which sector they believe they belong. Each entity is limited to membership in one sector only. Based on suggestions and comments for more detail the ISO will develop some guidelines for these matters in the proposed charter, but defers to the sectors to make the final determination on how to operate.

While the groups may have differing views on some matters, we believe they can mutually work together to nominate and rank the best nominees for the Transitional Committee. Therefore this proposal maintains generators and marketers in the same sector.

Clarity is needed regarding the ultimate limitations on governance

The ISO should provide more information about the range of options for EIM governance can consider. As indicated above, whether the EIM governing board will have 205 filing rights for some, or all, of the tariff. If the ISO intends to limit the authority of the EIM the

ISO should specify these limitations sooner rather than later.

ISO Response

The current proposal at issue intentionally avoids prescribing the specifics of this future structure to allow such decisions to be informed by the work of the Transitional Committee and the experience gained through EIM operation.

Staff and infrastructure support from the ISO may be very helpful to the success of the transition committee

To be effective and accomplish the goals of broad representation, the transition committee will need to establish good communication channels with a broad and possibly dispersed set of constituents. The ISO has offered that there may be a liaison to support the transition committee. WPTF also believes that the committee could benefit from staff support and infrastructure support (e.g., list serves, etc.) to communicate with their constituents (or with stakeholders generally if the transition committee does not turn out to be sector based). Such support will aid in allowing members to get input on their sector's desires, and communicate such things as issues being discussed, options being considered, and progress reports to sector members.

ISO Response

Thank you for your response.

Company	Date	Submitted By
Western Resource Advocates (WRA)	9/6/2013	Nancy Kelly

Do you support the roles identified for the transition committee?

These are both important roles, but whether these distinctly different functions should be performed by one committee is not obvious. The perspectives, skills, knowledge, background and industry experience required to provide qualified and well-reasoned input to the ISO Board of Governors regarding start-up, design, and implementation are not necessarily the same skills and experience sets best suited to develop a governance structure. Furthermore, EIM entities and participants have an immediate interest in issues of market design and implementation, while the development of an independent governance structure is of concern to the larger region.

In addressing the number of committee members, the proposal suggests that the Committee could grow from seven to nine "in the event that additional entities enter into energy imbalance market implementation agreements, thereby committing to becoming EIM entities." While this provision seems appropriate for a committee providing input to the ISO Board on issues of design and implementation, it seems less appropriate for a Committee whose purpose is to develop an independent governance structure for an institution providing a regional service. Therefore it may be more appropriate to populate two committees. (Overlap in membership might be beneficial.)

If one Transitional Committee performs both roles, a nine-member committee that reflects balanced interests appears preferable to a seven-member committee, or a nine-

member committee whose additional members come from EIM entities, to assure that as a group, the Committee has the necessarily broad experience and perspectives required to perform both functions.

ISO Response

The implementation of EIM will be assisted in great part by the ISO stakeholder process which should provide the additional support needed for that purpose. The Transitional Committee will also have the ability to utilize other resources and expertise as it deems necessary to fulfill its functions through an open and transparent stakeholder process.

The ISO now proposes that the Transitional Committee have nine seats initially, rather than seven. The ISO believes this number will still be small enough to allow the Transitional Committee to effectively perform its function, while enhancing the diversity of the Transitional Committee. The proposal retains the provision for up to two additional seats for EIM Entities that execute an EIM implementation agreement for filing at FERC.

Do you support the sector definitions and the nomination and ranking process for the transition committee?

The sectors identified by the proposal align with current stakeholder participation, and, therefore, for the purpose of selecting members for the Transitional Committee(s), the sectors, as defined, might suffice.

However, these sectors should not be carried forward into the long-run institutional structure. While state agencies' and public interest entities' interests may align, they do not always, and consumer interests are not recognized. The long-run governance structure should provide separate representation for environmental stakeholders, state agencies, and consumer interests.

ISO Response

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.

Do you support the number of members in the transition committee and its composition?

Please see response to question one.

ISO Response

Thank you for your response.

Do you support the independence proposals identified in the paper for long-term independent EIM structure?

Given the ongoing bifurcation of WECC into two new entities and the development of two independent governance structures for each, as opposed to the hybrid board structure of the existing organization, developing an independent governance structure appears appropriate and is aligned with the results from significant industry vetting over the past two years.

ISO Response

Thank you for your response.

Other comments

We appreciate the opportunity to provide input.

ISO Response

Thank you for your response.

Company

Date

Submitted By

Xcel Energy's primary area of concern relates to the proposed sectors.

Xcel Energy's primary area of concern relates to the proposed sectors. As written, it appears that current CAISO participants, whether participating in the EIM or not, would control a majority of the proposed sectors. We recommend that the CAISO modify the sector structure that allows potential EIM participants, not CAISO participants, take the lead in the governance design. The majority of sectors should have potential EIM participants, not just those who have participated in the CAISO market over the last four years. If CAISO participants desire involvement in this effort, Xcel Energy supports their inclusion. However, we do not want the resulting governance structure to give the CAISO market participants a second venue to address market issues within the CAISO. The EIM governance structure is only to address market processes for the EIM footprint. Therefore, the sectors proposed for the EIM governance development should weigh more heavily toward EIM participants, not CAISO participants. We recommend that the CAISO modify the sectors proposed to the following:

EIM Investor Owned Utilities

EIM Publicly Owned Utilities

EIM Generators and Marketers

EIM Alternative Energy Providers

CAISO Participants

Government Agencies and Public Interest Entities

To participate in one of the EIM sectors, an entity should have operations outside of the CAISO footprint and actively engaged stakeholders in the EIM development. Those entities that qualify for more than one sector, such as an IPP that owns generation both inside and outside of the CAISO, would choose which sector, EIM Generators and Marketers or CAISO Participants, it joins. Other CAISO participants, such as the CAISO Transmission Owners, would be in the CAISO Participants sector. Alternatively, remove any distinction between EIM and CAISO participants and populate the sectors based on the entity types only, not their market participation.

A participant at the Portland meeting suggested that the Government Agencies and Public Interest Entities should be in two separate sectors. Xcel Energy does not take a position on this issue. However, to the extent that an even number of sectors moves forward, the process must include a process to address a tie vote.

We also believe that the sectors should nominate the potential members of the Transitional Committee and have the CAISO Board of Governors appoint the committee from those nominated. While this is an advisory committee to the CAISO Board of Trustees, the process will develop an independent governance structure and therefore Xcel Energy desires that the membership have more of a say in the Transitional Committee makeup.

Xcel Energy agrees with the intent to have the ultimate governing body made up of independent members with no significant ties to EIM or CAISO participants. We also agree that the Transitional Committee should be populated with a diverse group representing potential EIM participants. Diversity is more likely to support CAISO's stated desire to allow new participants in the future.

Finally, the governance document needs more detail related to the process used by sectors to nominate (elect) the Transitional Committee. We understand that the Transitional Committee will draft a charter and the voting structure will be addressed in that charter. However, there must be a clear voting process for the sectors to use for the initial nomination process.

Xcel Energy appreciates the efforts of the CAISO staff in this endeavor and looks forward to the issuance of a revised governance document addressing these concerns.

ISO Response

The ISO believes that broad participation in the sector nomination process is desirable as a means of encouraging potentially interested parties to enhance their involvement and potentially become participants in the EIM as it develops. The ISO understands the concern that the Transitional Committee not be dominated by California entities. Likewise other participants have commented that entities currently operating in the real-time market should have a strong voice also. It is important that the ultimate membership on the Transitional Committee include broad experience and expertise and represent the geographical diversity that will best lead the Transitional Committee to a long-term success. As noted in this revised governance proposal, up to 3 seats can be held by EIM entities.

The Transitional Committee is not intended to be a committee in which each member represents the interest of one particular sector. Rather, we are seeking to seat a diverse, well-qualified, group that can promote the objectives of a successful EIM, and provide meaningful input to the ISO Board on a governance structure going forward that will suit all interested entities. While some participants have sought a specific designated seat on the Transitional Committee, the ISO believes that to do so would be counterproductive and ultimately could lead to a Transitional Committee that is too large and unwieldy to effectively perform its function. The ISO Board will have the ultimate discretion to assure that the overall makeup of the committee will be capable of promoting broad interests.

Also it is important to note that the Transitional Committee will operate consistent with the open and transparent stakeholder processes conducted by the ISO. The specifics of the stakeholder processes may differ slightly consistent with the role being performed by

the Transitional Committee. For the long term effort to develop the independent structure, the Transitional Committee will operate a process similar to the ISO's with draft papers, open stakeholder meetings, and appropriate comment periods. The ISO believes that this open stakeholder process will allow the Transitional Committee to develop its majority (and minority if appropriate) opinions for the discussion with the Board. And consistent with the ISO process, other stakeholders will also have the ability to address the board. This open process will help all parties have a voice in the efforts. It could be that the Transitional Committee desires the ISO staff to manage the stakeholder process as directed by the Transitional Committee. For the near-term work relating to EIM market simulations, start-up and initial operation, it may be preferred for the Transitional Committee to participate as part of the ISO stakeholder processes for expediency.

The Governance Proposal contemplates that a pool of individuals will be created based on nominations from each sector and from self-nominations. Once the pool of nominees is finalized, each sector will rank all nominees. It is also anticipated that each sector will develop ranking criteria. The rationale for having the sectors rank all of the nominees is to assist the Board in understanding the extent of overall support for the various nominees and to provide better input into the relative amount of support for each nominee. The ISO will support the sector nomination process and proposes to conduct initial outreach to the sectors to get the process started.

It is important to note that a goal of the Transitional Committee is the overall task of developing a long-term independent governance structure. As such, the Transitional Committee membership demands high competencies and it demands nominees that bring the necessary expertise to successfully fulfill this role, not just the representation of a specific sector.

The Governance proposal is designed to allow all parties with an interest, direct or indirect, to participate in any one sector of its choice.

The ISO agrees that government agencies and public interest entities should be split into separate sectors for purposes of the nomination and ranking process.