

Memorandum

To: ISO Board of Governors

From: Valerie Fong, Chair, EIM Governing Body

Date: March 20, 2019

Re: EIM Governing Body advisory support – Decision on proposed revisions to decisional classification rules

This memorandum does not require Board action.

EIM Governing Body advisory support on proposed revisions to decisional classification rules

On March 12, 2019, the proposal to revise the decisional classification rules was presented to the Energy Imbalance Market (EIM) Governing Body. The members of the EIM Governing Body unanimously support the proposal as presented and codified in ISO Management's memo dated March 5, 2019.

After almost three years of the EIM Governing Body's existence, the energy imbalance market governance has matured and the EIM Governing Body, the California Independent System Operator (ISO) Board of Governors and ISO Management have gained valuable experience with the process of classifying the policy initiatives that come before the EIM Governing Body for review. Very little debate has ensued on the classifications themselves, however, this experience and stakeholder comments have resulted in the proposal to narrowly expand the decisional classification to give the EIM Governing Body primary authority over real-time market rules that are changed or added when the primary driver is due to the EIM. Currently, all generally-applicable real-time market rules are advisory to the EIM Governing Body regardless of the driver.

With this proposal, any EIM driven change to the real-time market rules would become primary to the EIM Governing Body, and once the EIM Governing Body approves the rule, it would be presented to the ISO Board of Governors on its consent agenda. To be noted, any and all changes to any real-time market rule, like all stakeholder initiatives, will continue to go through the ISO's stakeholder process which is open and transparent and affords all market participants the opportunity to deliberate on the rules with ISO staff throughout the market rule formation. As with all matters that the EIM Governing Body has primary authority, once approved, the item(s) are placed on the consent agenda for the Board of Governors and the Board of Governors, at its discretion, can remove a consent agenda item and deliberate on the matter. This decision-making process will not change under this proposal

Additional Considerations for the Proposal

On December 14, 2018, ISO staff issued an issue paper and straw proposal seeking comment from stakeholders on two topics: the first was the narrow expansion of the decisional classification and the second was on the process and scope for the EIM governance review. Calls were held with stakeholders to discuss the proposals and two rounds of comments were solicited. Of the roughly 28 sets of comments, most of those opining on the narrow expansion of the decisional classification supported the proposal.

Two stakeholders expressed concerns, one in their comments and both spoke at the March 12 EIM Governing Body meeting. As all real-time market rules impact the California utilities who are participating transmission owners of the ISO, these rules impact these stakeholders regardless of the driver of the change. As such, they wanted to ensure that in the event they disagree with a real-time market rule that goes to the Board of Governors on the consent agenda, they have the ability to request the Board of Governors remove the item(s) from consent and deliberate on the matter and request the Board of Governors to return the matter to the stakeholder process for modification. As this is the current process for all matters that come to the EIM Governing Body under its primary authority, there is no change here and any stakeholder can make this request of the Board of Governors.

While the EIM Governing Body unanimously supports the proposal as presented, the EIM Governing Body would like to see additional discussion and transparency on how the “primary driver” for the real-time market rules is defined and communicated. We fully expect this will happen naturally as the process continues to mature and evolve and we see more initiatives going through the classification process.

In summary, the EIM Governing Body advises the ISO Board of Governors to approve the decisional classification proposal as presented.