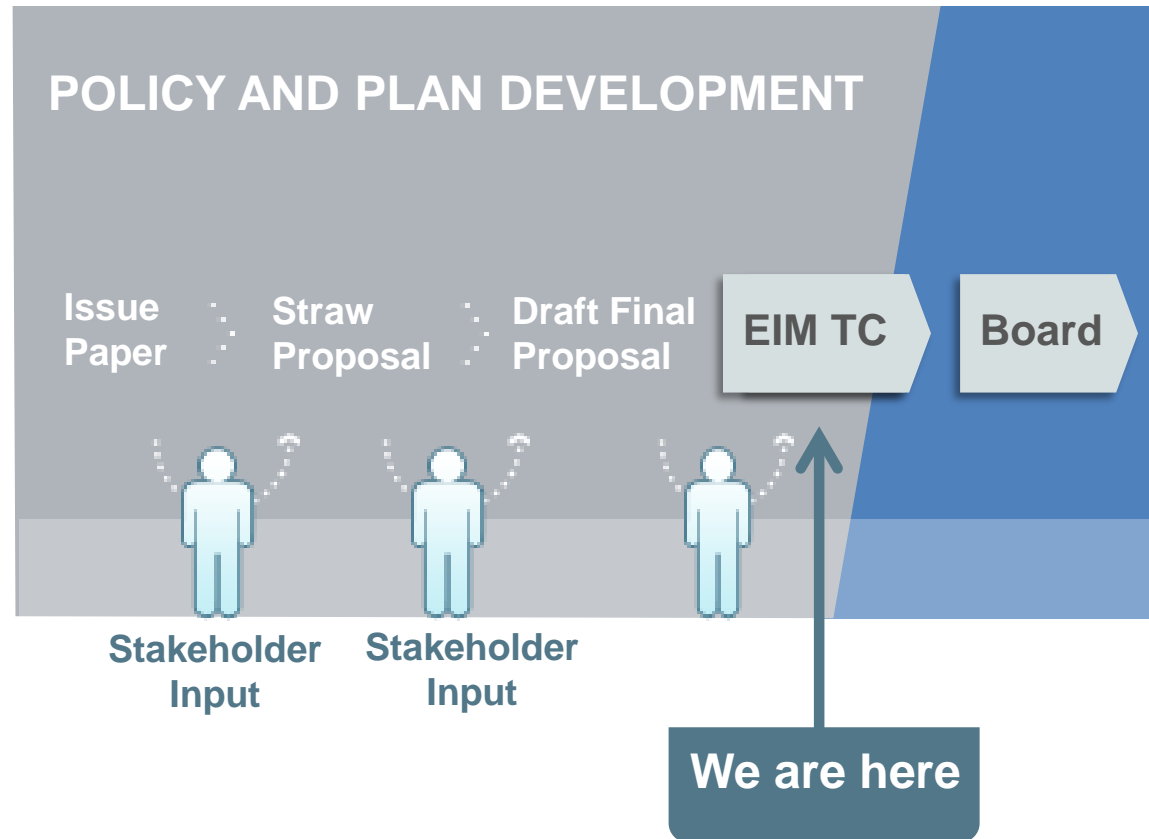


Decision on Energy Imbalance Market Governance Proposal

EIM Transitional Committee Meeting
General Session
August 25, 2015

The EIM Transitional Committee has followed an iterative process.



There was widespread input from stakeholders on the Committee's work.

Date	Event or Activity	Stakeholder Engagement
January 12	Stakeholder meeting on Issue Paper in Phoenix, AZ	Attendance: 12 in person; 41 web participants
January 26	Stakeholder comments on Issue Paper	Received 28 sets of comments
March 31	Stakeholder meeting on Straw Proposal at California ISO, Folsom, CA	Attendance: 14 in person; 56 web participants
April 16	Stakeholder comments on Straw Proposal	Received 23 sets of comments
June 25	Committee meeting where Draft Final Proposal was presented in Reno, NV	Attendance: 8 in person; 43 phone participants (no webex)
July 9	Stakeholder comments on Draft Final Proposal	Received 27 sets of comments

Comments on the final draft proposal are found on the governance initiative webpage

California ISO

ABOUT US PARTICIPATE STAY INFORMED PLANNING MARKET & OPERATIONS RULES

Home > Stay Informed > Stakeholder Processes > Energy Imbalance Market Governance Development

Energy Imbalance Market (EIM) governance development

Current meeting

- Meeting Aug 25, 2015
 - Final Agenda - EIM Transitional Committee Meeting - Aug 25, 2015 8/20/2015 10:02
 - Decision on EIM Governance Proposal - Proposal - Aug 2015 8/20/2015 10:02

Policy development

- Energy Imbalance Market governance development - papers and proposals
 - Briefing on Governance Proposal - Draft Final Proposal - Jun 2015 6/22/2015 16:50
 - ISO-RTO Governance Structures - Oct 2014 10/16/2014 15:07
 - ISO-RTO Committee Structures - Oct 2014 10/16/2014 15:07
 - Briefing on ISO Tariff Framework - Oct 2014 10/16/2014 14:56
 - Briefing on Energy Imbalance Market - Jul 1, 2014 7/01/2014 09:35
 - Issue Paper - Conceptual Models for Governing the Energy Imbalance Market 1/05/2015 11:31
 - Straw Proposal - Long-Term Governance of the Energy Imbalance Market 3/19/2015 16:36
 - Tentative Schedule of Events - EIM Transitional Committee 8/18/2015 14:17
 - Stakeholder comments
 - Stakeholder comments on draft final proposal
 - Stakeholder comments on issue paper
 - Stakeholder comments on straw proposal
 - Policy development meetings

Transitional Committee development

- Energy Imbalance Market - Transitional Committee development
 - Energy Imbalance Market Transitional Committee
 - Issue Paper - Conceptual Models for Governing the Energy Imbalance Market 1/05/2015 11:31

Comments found here

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



Three key conclusions drove the Committee's development of the governance proposal.

- A regional EIM should be governed by a regionally-oriented body with independent members
- Governance through a new entity, legally separate from the ISO, could undermine value of EIM
- Changing the way ISO's Board of Governors is constituted requires changes in California law that go beyond the Committee's mission

The governance proposal delegates authority to an EIM governing body.

- Primary decision-maker on policy initiatives that change EIM-specific market rules
- Key advisory role on market rules that affect EIM but are not specific to EIM participation
- Members financially independent of stakeholders
- Promote the success of the EIM and ensure that the interests of all market participants are represented

The governance proposal also establishes a body of state regulators and a Regional Issues Forum.

- Body of state regulators – one each from the states in which EIM operates
- To provide input from the entire region and shape dialogue about issues related to EIM, a Regional Issues Forum will meet three times annually

In response to stakeholder feedback, the Committee refined several sections of the Draft Final Proposal.

- Operational Aspects of the EIM Governing Body
- Nominating Committee and Selection of Members
- Scope of Authority
- Documenting EIM Governance and the Delegation of Authority
- Body of State Regulators
- Regional Issues Forum

Transitional Committee member **Dede Hapner**

OPERATION OF THE EIM GOVERNING BODY

Background from the *Draft Final Proposal*: Basics of the EIM governing body.

- Members independent of market participants and stakeholders
- Charter from the ISO Board detailing roles and responsibilities
- Fundamental mission:
 - Promote, protect and expand the success of EIM as a whole by ensuring that its participants benefit
 - With due consideration given to the interest of all parties that participate

The *Final Proposal* added the following points about operation of the EIM governing body.

- Term limits for members
- Emphasize that members are obligated to protect all market participants regardless of location
- Members have the same legal duties as members of the ISO Board

Transitional Committee member **Mark Smith**

SELECTION OF MEMBERS – NOMINATING COMMITTEE

Background from the *Draft Final Proposal*: Members of the EIM governing body to be identified by a nominating committee.

- Five voting members representing stakeholder sectors
- Four advisory members
- Executive search firm to identify at least two candidates for each open position
- Operate by consensus of voting members
- Select slate of one nominee for each open position
- Slate should be diverse, including geographically and by area of expertise
- Initial slate approved by ISO Board, future members approved by EIM governing body

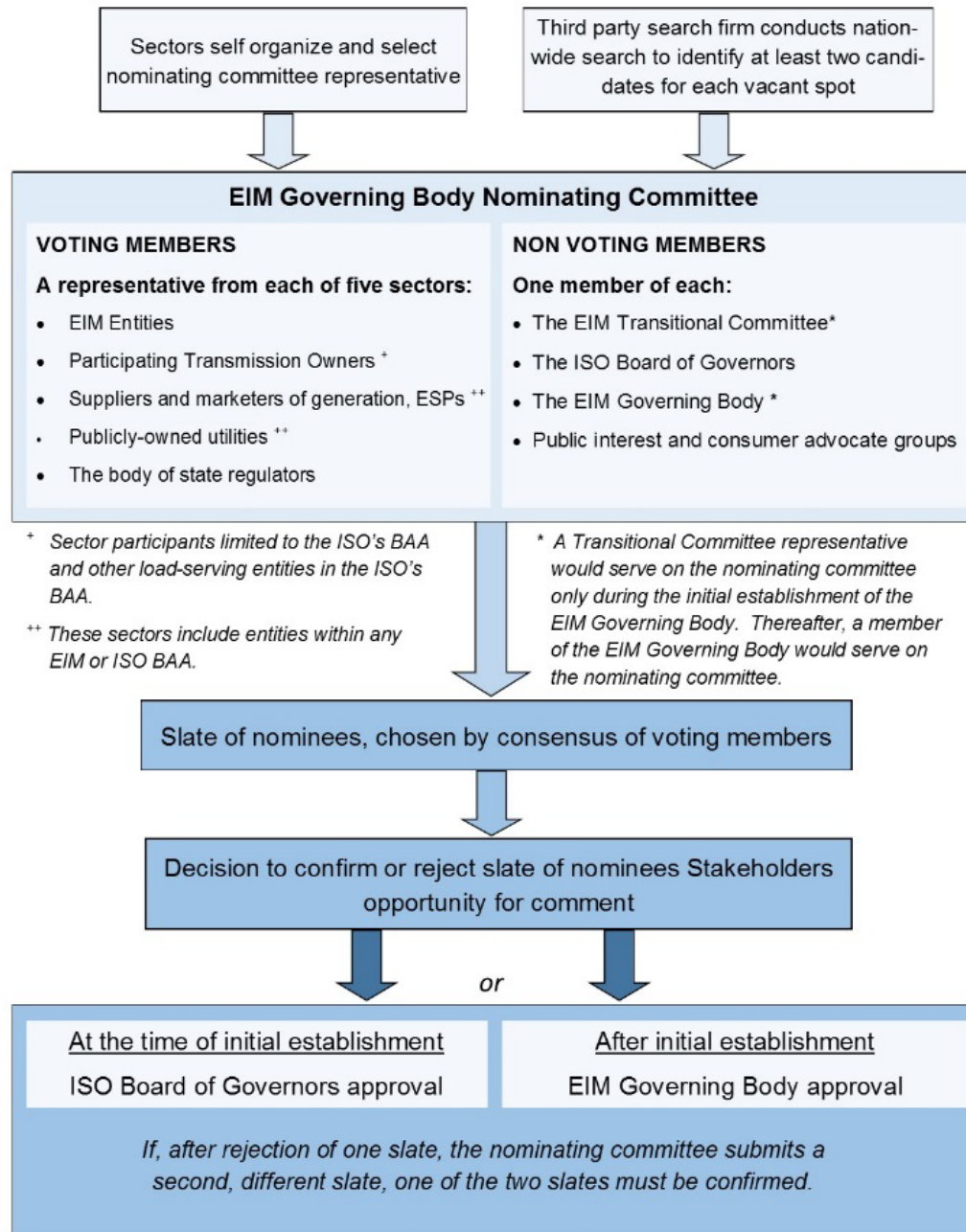
The *Final Proposal* added detail about nominating process for the selection of the EIM governing body.(1)

- Nominating committee will not be a standing committee
 - Needed only once annually
 - Committee reluctant to impose requirements broader than strictly necessary.
- Individuals with public interest background are qualified to serve as members if they otherwise have requisite skills, knowledge, and meet independence requirements

The *Final Proposal* added detail about nominating process for the selection of the EIM governing body.(2)

- Soft preference for candidates with background in Western electric systems, all other things being equal
- Rule to avoid the possibility of a prolonged deadlock,
 - if a slate is rejected, and the nominating committee submits a second, different slate of nominees, the ISO Board (or the EIM governing body) must accept one of the two slates
 - either the new slate or the slate that it rejected initially

EIM Governing Body Nominating and Selection Process



Transitional Committee member **Kevin Lynch**

DELEGATED AUTHORITY

Background from the *Draft Final Proposal*: the EIM governing body would have a defined authority over market rules.

- “Primary authority” over market rules that would not exist “but for” EIM
 - e.g., access charge and rate design for EIM transfers (reciprocity)
- ISO will file rule changes approved by both EIM governing body and Board of Governors
 - Change approved by EIM governing body would go on ISO Board’s consent agenda

The *Final Proposal* adds “hybrid” initiatives to authority of EIM governing body.

- “But for” test would not by itself provide clear direction on initiatives that include changes to both general rules for real-time market and to EIM-specific components
- For hybrid initiatives, role of EIM governing body will depend on primary driver for initiative
 - If driver is EIM-specific, both governing bodies approve initiative before staff files, the matter coming first to EIM governing body
 - Otherwise, EIM-specific components go to EIM governing body, and then entire proposal to Board

The *Final Proposal* recognizes that EIM-specific components of an initiative may not be identified until late in a stakeholder process.

- Proposal allows staff more time to determine which governing body will have primary authority or how that authority will be divided
- Allows deferral of categorization until as late as the last proposal published for stakeholder comment when necessary
- This classification issue is distinct from flagging initiatives that might affect EIM - ISO staff do so as early as possible to alert EIM stakeholders

Transitional Committee member **Carl Zichella**

DOCUMENTATION

Background from the *Draft Final Proposal*: EIM governance to be reflected in ISO bylaws.

- Bylaws amended as follows:
 - Establish EIM governing body
 - Define and delegate authority
 - Delegation of authority to be revoked only with approval from a majority of both bodies, or a supermajority of either body (two-thirds of the members then in office).
- Charter created detailing governing body's role and responsibilities
- Defer development of details until after the proposal accepted

The *Final Proposal* clarifies the committee's vision about which corporate documents would contain the various provisions.

- Committee included a chart that identifies changes needed in corporate documents, and corporate documents that may be affected by the proposal
- Transitional Committee plans to participate in the ISO's process to ensure that the bylaw amendments and guidance document are consistent with the Committee's final proposal

Document	Key Provisions
ISO bylaws (amendments)	<ul style="list-style-type: none"> • Establish the EIM governing body • Selection of members (nominating committee composition, sector selection of representatives, and rules of operation) and confirmation • Terms of office • Define scope of authority • Decision structure for proposed tariff amendments within primary authority and “hybrid” issues, including dispute resolution process • Removal of members • Repeal of these provisions – by either a 2/3 vote of the Board of Governors or a majority vote of both the EIM governing body and the ISO Board
Charter for EIM governing body	<ul style="list-style-type: none"> • Define goals and responsibilities • Establish the Regional Issues Forum and its basic rules (including to select two liaisons from each sector, open meetings) • Establish body of state regulators
Guidance document about scope of authority	<ul style="list-style-type: none"> • Restate principles governing matters within the EIM governing body’s “primary” authority and over “hybrid” initiatives • Illustrate how these principles would apply
Agreement between ISO and members of EIM governing body	<ul style="list-style-type: none"> • Legal duties of members of EIM governing body, which will be the same duties as ISO Board members owe • Protection of confidential information • Compensation

Transitional Committee member **Rebecca Wagner**

BODY OF STATE REGULATORS

Background from the *Draft Final Proposal*: Establish a body of state regulators.

- One representative from each state public utilities commission in which load-serving utilities participate in EIM
- Educate regulators on market developments
- Allow regulators to express common positions on issue of interest

The *Final Proposal* adds additional detail about the role of the body.

- First order of business is to select a member to serve on the nominating committee
- Regulators' activities initially center on education
- Regulators may also wish to express positions on stakeholder initiatives or other issues
- Costs of regulators' body not subject to a separate cost allocation but included in the overall cost of the real-time market

Transitional Committee member **Tony Braun**

REGIONAL ISSUES FORUM

Background: The Regional Advisory Committee was introduced in the *Draft Final Proposal*.

- Improve dialogue on EIM issues and provides a needed vehicle to discuss regional implications of the EIM development with broad participation
- Would not displace the ISO stakeholder process
- Five sectors include:
 - Transmission-owning utilities;
 - Independent generators and marketers;
 - Publicly-owned utilities;
 - Public interest groups and consumer advocates; and
 - Neighboring adjacent balancing authority areas

The *Final Proposal* changes the name to Regional Issues Forum and clarifies its purpose. (1)

- Established through charter for EIM governing body
- Role limited to issues relevant to EIM, and it will engage directly with the EIM governing body
- To meet three times per year to assuage any concerns that it could overlap with the stakeholder process
- Role of the sector liaisons will be to organize the periodic forums and facilitate input and participation
- Sectors select two liaisons so as to not overly limit participation and to better reflect diverse interests

The *Final Proposal* changes the name to Regional Issues Forum and clarifies its purpose. (2)

- ISO not expected to lend staff support but may have a staff liaison
- All travel and time commitment costs of Forum liaisons will be borne by the liaisons
- Agenda be developed by the Forum itself, with input from stakeholders
- EIM governing body and ISO leadership may request that the Forum address specific topics
- Meetings open and materials available to the public

The *Final Proposal* changes the name to Regional Issues Forum and clarifies its purpose. (3)

- Forum may want to share thoughts on issues regarding EIM and relevant topics, or address topics suggested by the ISO
- Forum may produce documents or opinions for the benefit of the EIM governing body and the ISO
- ISO staff may respond to these products in writing to facilitate a two-way dialogue
- Reconsider efficacy and role of the Forum after 18 months (4-5 meetings)

Transitional Committee member **Natalie Hocken**

COMMITMENT TO RE-EVALUATE GOVERNANCE

The Draft Final Proposal states that the EIM governing body should reassess EIM governance in five years.

- EIM governing body would have discretion to decide whether circumstances call for a reassessment to happen sooner
 - No commenters objected to this aspect of the proposal*
 - Therefore it is unchanged from the Draft Final Proposal
-
- *Oregon PUC recommended that one additional criteria should be added: Should major entity or multiple entities outside of California joins the ISO as a Participating Transmission Owner.*

WRAP-UP AND NEXT STEPS

The ISO Board is expected to consider the Committee's proposal at their September meeting.

- ISO Board meeting on September 17 in Folsom, CA
- If approved by Board, next steps include:
 - Development of bylaw amendments and charter for creation of EIM governing body, approval by ISO Board
 - Implementation of proposal including identification of executive search firm, development of nominating committee, identification of candidates, development of slate for ISO board consideration
 - Establish EIM governing body and begin its operation

Transitional Committee meeting schedule

Date	Meeting location
October 21	Sacramento, CA
November 19	Teleconference

Questions