

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide written comments on the EIM Governance straw proposal posted on March 19, 2015.

[Please submit comments to EIM@caiso.com](mailto:EIM@caiso.com) by close of business April 16, 2015

The straw proposal is available on the ISO website at:

[http://www.caiso.com/Documents/StrawProposal-LongTermGovernance\\_EnergyImbalanceMarket.pdf](http://www.caiso.com/Documents/StrawProposal-LongTermGovernance_EnergyImbalanceMarket.pdf)

The slides presented during the March 31, 2015 stakeholder meeting are available at:

[http://www.caiso.com/Documents/Agenda\\_EnergyImbalanceMarketGovernance-StrawProposal.pdf](http://www.caiso.com/Documents/Agenda_EnergyImbalanceMarketGovernance-StrawProposal.pdf)

The EIM Transitional Committee welcomes and appreciates stakeholder feedback related to the straw proposal for the EIM Governance initiative. Please use the following template to comment on the key topics addressed in the proposal:

**Structure** - composition of the Nominating Committee, composition of the EIM governing body, and process for selecting members.

Thank you for the opportunity to comment on the California ISO's EIM Transition Committee's March 19<sup>th</sup> 2015 Straw Proposal for Long-Term Governance of the Energy Imbalance Market ("CAISO", "Committee" and "Straw Proposal"). Seattle City Light ("City Light") concurs with the Committee's conclusion on page 1, that the governance status quo is not sustainable.

We respectfully disagree with the Committee's conclusion that an autonomous governance model is incompatible with the CAISO's EIM offering. The committee should more carefully consider the probable future outcomes and the desire of non-CAISO Balancing Authorities considering participation in the CAISO EIM for greater autonomy from the CAISO; absent a

change of California law that would alter the composition of the CAISO’s Board of Governors.

The Committee’s apparent objections to the autonomous model appear to be predicated upon “all or nothing” types of “Straw men” which the committee then knocked down. Seattle believes that there are a range of options available and hybrid approaches to the challenges the Committee has identified - whether with respect to the operating costs of an autonomous board, or how potential conflicts in draft rules or tariff provisions could be reconciled between the CAISO and an autonomous EIM Board. The Committee’s approach to these questions suggests to City Light that the CAISO is not interested in dealing with an EIM Board on an equal footing, let alone the Balancing Authorities that might consider joining the CAISO’s EIM offering. We strongly encourage the Committee to consider that independence does not preclude coordination or co-optimization. It simply makes it more challenging. These are precisely the sort of challenges that can be overcome when interested parties are motivated to do so on a fair, equal and non-discriminatory basis.

It is not clear to City Light why the type of respectful interaction the Committee describes on page 11 regarding the Delegated Authority Model could not occur under the autonomous governance model it so quickly dismissed early in its Straw Proposal. Further, as the Committee describes on page 12, there will be a need to reevaluate the governance structure in the future. City Light suggests that this future need may eventuate far sooner than the Committee may currently believe. City Light encourages the Committee to consider the criteria needed to select another governance model. City Light is interested in understanding under what circumstances an autonomous governance model could be preferable to the Delegated Authority Model.

**Scope of authority** – scope of authority, including whether it is appropriate and workable, the examples of issues that would fall within the primary and secondary authority of the EIM governing body, and process for resolving disagreements about the particular proposed rule changes or the scope of authority generally.

As the CAISO describes on its website, the western Energy Imbalance Market (EIM), the ISO enhanced real-time market went live on November 1, 2014. The outcome of this enhancement creates a western real-time market that operates across multiple states. Additionally, with the April 14, 2015 announcement that PacifiCorp and the CAISO entered into a Memorandum of Understanding to explore full PacifiCorp participation as a participating transmission owner, the effect of this would expand all of the ISO’s market operations across multiple states. While it is outside of the charge of the Committee to recommend a legislative change, a legislative change appears to be necessary for multiple reasons including the desire to attract long-term participation by potential non-California market participants to the EIM.

City Light identifies a need for a legislative change relative to the EIM because it is easy to

envison conflicts, whether they be financial, operational or fiduciary. The first area of conflict could reside around which market rules fall within the scope of the CAISO governing board and which fall within the scope of the EIM governing body. For example, as outlined in the CAISO straw proposal, real-time market settlement calculations are a secondary authority for the EIM governing board; however, settlement calculations are critical to the financial interests of all potential EIM market participants. Another area potential conflict could arise is over market mitigation rules; where the rules preferred by potential EIM entities may conflict with those preferred by the CAISO.

Out-of-state participants in the EIM will have the same interest as CAISO’s participants in the effective interaction between the EIM and all of CAISO’s markets. The EIM governing body’s scope of authority must provide certainty that participating out-of-state interests, regardless of their market position, will have their rights protected on an equitable basis with in-state interests.

City Light recommends that the Committee fully and clearly explain and delineate roles for the EIM governing body in its mid-May revision and then use the planned stakeholder workshop reviewing all real-time market rules to identify and agree to the appropriate scope of authority to the EIM governing body. Participants in the EIM and other markets CAISO supports have a mutual interest in the success of these inextricably linked markets and the inevitable evolution of the rules governing them.

**Documentation** – documentation of these arrangements in the ISO’s bylaws and a charter from the ISO Board of Governors, and mission of the EIM governing body that would be identified in its charter

**Committee of regulators** – composition, including the balance of representation between state commissions and public power, and role of the committee

While Seattle City Light welcomes public power representation on the EIM Committee of Regulators, absent a more independent approach to governance it will be, by itself, insufficient.

**Trigger for re-evaluating EIM governance**

If the CAISO’s Board of Governor’s pursues the Delegated Authority Model, it should explicitly recognize that the need for future flexibility in EIM or other offerings could come sooner than later. The Committee may also wish to consider recommending to the Board a regular, 24 month review of whether the then-existing governance model is meeting all the needs of the EIM participants, or possibly deterring additional participation. Such periodic review should include consideration of all aspects of governance, including the ISO’s current statutory

authority.

**Criteria for evaluating proposals** – to revise and simplify the criteria for evaluating governance proposals, as reflected in the appendix

While the current EIM offering is advertised as low cost and easy exit (pp. 1-2), entities interested in the EIM offering may also want long-term assurances that the CAISO is capable of managing costs over the longer term. Increased cost transparency and information about the relationship of the CAISO's current real time market costs that are relevant to the existing EIM offering may be material to the decision of additional entities considering the EIM service.

Additional discussion by the Committee on how it would recommend the CAISO's Board of Governors address potential future conflicts in fiduciary duties between the CAISO's Board of Governors and the interests of non-California EIM market participants would be welcome.

**Miscellaneous items** – Please provide comments to other aspects of the straw proposal or governance related issues here.

City Light believes that an important element of its consideration of the CAISO EIM offering is the ability of the CAISO to treat potential participants outside the CAISO footprint on a fair and equitable basis, relative to the CAISO's existing market participants. Given that none of the governance options considered by the Committee appear to have included a member-based board and/or minority or out-of-state veto rights over potential tariff changes, City Light encourages the Committee to consider dispute resolution mechanisms to make the Delegated Authority Model more tenable.