

Proposed Principles for Governance of a Regional ISO

Stacey Crowley, Vice President, Regional and Federal Affairs
June 16, 2016

Background for this proposal – SB 350

- 359.5. (a) It is the intent of the Legislature to provide for the transformation of the Independent System Operator into a regional organization..., and that the transformation should only occur where it is in the best interests of California and its ratepayers.
- The ISO will conduct studies of the impacts of a regional market looking at overall benefits to ratepayers,
 - the creation/retention of jobs and economic benefits
 - environmental impacts in California and elsewhere,
 - impacts in disadvantaged communities,
 - emissions of greenhouse gases and other air pollutants, and
 - reliability and integration of renewable energy resources.

SB 350 – https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350

Background for this proposal – SB 350

- The transformation:
 - Shall not alter compliance with state laws
 - Requires the ISO to maintain open meetings and public access
 - Is voluntary, requires approval from state or local regulatory authorities
- ISO presents study results and governance modifications to energy agencies, submits to Governors office
- Governor transmits to Legislature

Stakeholder and State engagement on governance development started with Energy Imbalance Market

- Work of EIM Transitional Committee provides meaningful foundation for regional ISO governance
- Research and discussions with other multi-state Independent System Operators provided useful models

Principles come largely from others and represent concepts that appear to have broad support

- Discussions with PacifiCorp states began following passage of SB 350
- On-going discussions with energy advisors, regulatory commissioners and other state agencies provides forum for finding areas of agreement
- Several stakeholder groups produced papers on governance principles

Proposal follows workshop hosted by the California Energy Commission and Governor's Office

- ISO provided framework of current ISO governance structure and legal background
- Authors presented concepts in papers
 - Mike Florio
 - Ann Rendahl
 - Ron Binz
 - Tony Braun
- Panel of industry experts commented on concepts in papers, provided broad perspectives on key principles
- Public comments from 20+ organizations provided additional feedback on governance principles

The proposal consists of overarching principles that could evolve into legislative language with specifics developed by transitional committee

- Transitional committee
- Preservation of state authority
- Greenhouse gas accounting mechanism
- Transmission Owner Withdrawal
- Initial Board and Transition
- Board composition and selection process
- Role of state regulators
- Stakeholder processes and committees

Transitional Committee to reflect principles in more detailed governance documents

- EIM Transitional Committee proved to be successful forum for development of EIM governance documents
- Committee of stakeholders and regulators should be comprised of experienced representatives from broad regional perspectives
- Committee to implement principles in governance documents
- Committee to work expeditiously, to allow for state regulatory processes to occur in timely manner
- Committee governance proposal to be approved by ISO Board

Preservation of state authority is a central principle for successful regional ISO governance

- Each state to retain traditional authority over energy policies and process, such as resource types and planning, granting of Certificates of Public Convenience and Necessity.
- ISO currently does not have role in state's procurement policies or resource mix, other than to review for reliability

Preservation of state authority is a central principle for successful regional ISO governance

- Governing documents will:
 - prevent ISO from adopting policies that diminish state authority
 - prohibit ISO from proposing capacity market
 - require unanimous approval by Board and approval by the new body of Regulators to change

ISO can facilitate further transparency of environmental obligations in each State

- ISO to develop a transparent methodology for tracking and accounting for greenhouse gas emissions
 - Continue to comply with state regulations
 - Identify emissions attributable to CA load and resources or out-of-state resources serving CA load
 - Remain flexible to accommodate future environmental regulations

Participating transmission owners must have clear and fair ability to withdraw from ISO

- Process for withdrawal shall:
 - Adhere to direction from state or local regulatory body
 - Allow for voluntarily withdrawal
 - Provide for the ISO to maintain reliability during such withdrawal
- ISO currently has an exit provision for Transmission Owners to exit after two years written notice

A process for transitioning the Board make-up over time will facilitate a smooth implementation

- Initial Board
 - The current 5-member ISO board will be joined by four new members selected by other states
 - Initial board will start when governance documents are adopted by the ISO
 - California board members will constitute a majority for a transition period
 - New board member selection process will be implemented over time, possibly as initial Board terms expire.

A new nomination and approval process for Board will be developed by Transitional Committee

- Transitional Committee will develop a new Board selection process that will be implemented going forward.
 - Process must include a role for stakeholder input and a role for states in nomination/approval process.
 - Board must meet FERC financial independence requirements (both in initial phase and after transition)

Body of state regulators will provide policy direction and input on matters of collective state interest

- Incorporated as a separate entity
- One regulator from each state in regional ISO footprint
- One individual from publicly-owned utility will have non-voting seat on Body
- Will have primary authority over certain policy initiatives as further defined by Transitional Committee
 - Transmission cost allocation
 - Aspects of regional resource adequacy
- Voting rule will require a vote of a majority of the members of the body, as well as members representing at least a majority of load in the regional footprint.

Body of state regulators will provide policy direction and input on matters of collective state interest

- On matters within body's primary authority, regional ISO must obtain body's approval before filing at FERC and may only file the body's approved proposal.
- Two exceptions – The transitional committee will develop provisions that:
 - (1) permit the ISO to file at FERC without regulator body approval, on a temporary basis, when reliability is imminently threatened
 - (2) permit submission of both a proposal by the regulator body and an alternative by the ISO board if a supermajority of the ISO board concludes that the proposal approved by the regulator body would severely undermine reliable operation of the grid

Transitional Committee will consider changes to ISO's current stakeholder processes

- Topics to consider:
 - Process improvements that could facilitate broad participation in stakeholder proceedings
 - Development of formal stakeholder committees
 - Creation of funding mechanism to facilitate the participation by State consumer advocate bodies

Next Steps

Milestone	Date
Presentation of ISO governance proposal	June 16 (Sacramento, CA) June 20 (Denver, CO)
Comments due on proposal	July 7
Post proposal	Target – July 19
Joint agency workshop	Target – July 26
Submit to Governor	Target – August 1

Questions or comments can be directed to:
regionalintegration@caiso.com

SB350 and ISO Reference Material

- California Energy Commission docket 16-RGO-01
http://www.energy.ca.gov/sb350/regional_grid/documents/index.html
- Senate Bill No. 350 - Clean Energy and Pollution Reduction Act of 2015
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350
- Fast Facts – Benefits of a regional energy market
<http://www.caiso.com/Documents/2015RegionalBenefitsFactSheet.pdf>
- Early release material
<http://www.caiso.com/informed/Pages/RegionalEnergyMarket/BenefitsofaRegionalEnergyMarket.aspx>