



Memorandum

To: ISO Board of Governors and Western Energy Imbalance Market Governing Body
From: Stacey Crowley, Vice President, External Affairs
Date: January 25, 2023
Re: **Decision on WEIM Governance Review Committee Phase Three Final Proposal**

This memorandum requires WEIM Governing Body and ISO Board of Governors action.

EXECUTIVE SUMMARY

Management presents for consideration the phase three proposal of the Western Energy Imbalance Market (WEIM) GRC that was established to develop proposed refinements to WEIM and EDAM governance. The Committee arrived at its recommendations through an iterative stakeholder process conducted over the past year.

The Committee has performed outstanding service to the ISO and its stakeholders as it carefully considered updates to WEIM governance. Upon approval of this proposal, the Committee's work on WEIM and EDAM governance review will be complete. Management recommends the WEIM Governing Body and the ISO Board of Governors approve the changes recommended by the Committee in its proposal.

If the proposal is approved by both bodies, Management will prepare necessary revisions to the relevant governance documents and will bring those revisions to the ISO Board of Governors and WEIM Governing Body at future general session meetings consistent with the implementation timeline set forth in the Committee's proposal.

Management proposes the following motion:

Moved, that the WEIM Governing Body and ISO Board of Governors approve the proposed changes recommended in the WEIM Governance Review Committee's Phase Three (EDAM) Final Proposal, dated January 9, 2023, attached to the memorandum dated January 25, 2023.

BACKGROUND: THE WEIM GOVERNANCE REVIEW COMMITTEE

As adopted in 2015, the Charter for WEIM Governance requires “a review of [W]EIM governance in light of accumulated experience and changed circumstances,” to begin by September of 2020. In the fall of 2018, in response to the request of the Governing Body and stakeholder feedback, Management recommended that the ISO form a temporary advisory committee to the Board of Governors and the Governing Body, comprised of stakeholders and patterned after the WEIM Transitional Committee, to conduct the governance review process. At a joint meeting held June 28, 2019, the Board and the Governing Body adopted a charter for this Governance Review Committee, directing the Committee to develop, through an iterative public stakeholder process, a proposal or proposals for potential refinements to the existing WEIM governance and for possible EDAM governance in the future.

During 2021, the Board and Governing Body approved the Committee’s proposals for two sets of recommended changes to improve WEIM governance. This third and final phase of the Committee’s work concerns EDAM governance.

As detailed in the Committee’s Charter, stakeholder sectors nominated and ranked candidates for the Committee. Informed by this stakeholder process, the Board of Governors and Governing Body appointed the Committee’s initial members and, over time, have appointed new Committee members, also informed by sector feedback, to fill vacated seats. After the recent tragic and untimely loss of Chair Therese Hampton, the Committee chose not to fill the Chair position, but instead decided to proceed under the leadership of Vice Chair Rebecca Wagner. The Committee membership during Phase Three has been as follows:

- Michele Beck – Utah Office of Consumer Services
- Tony Braun – Braun Blasing & Wynne, PC
- Suzanne Cooper – Bonneville Power Administration
- Eric Eisenman – Pacific Gas and Electric Company
- Therese Hampton – consultant representing public power
- Jeff Nelson – Southern California Edison
- Amanda Ormond – Ormond Group LLC
- Pam Sporborg – Portland General Electric
- Commissioner Letha Tawney – WEIM Body of State Regulators
- Rob Taylor – Salt River Project
- Rebecca Wagner – Wagner Strategies
- Cameron Yourkowski – EDP Renewables North America LLC
- Angelina Galiteva (non-voting member) – ISO Board of Governors
- John Prescott (non-voting member) – WEIM Governing Body

The Committee developed its proposals through a series of stakeholder papers that explored possible governance enhancements. These papers were published and discussed with stakeholders in a series of workshops and general sessions. The Committee also received extensive written stakeholder comments on each paper.



These papers, and the stakeholder comments responding to them, are available on the stakeholder initiatives web page [here](#).

Following a straw proposal published in July and a set of constructive comments in August, the Committee published its Revised Proposal on October 31, 2022, its Draft Final Proposal on December 7, 2022, its Revised Draft Final Proposal (redline) on December 22, 2022, and its Revised Draft Final Proposal (clean copy, with a dedication to former Committee Chair Therese Hampton) on January 6, 2023. Voting members of the Committee unanimously approved the Revised Draft Final Proposal (clean copy, with a dedication to Therese Hampton) on January 9, 2023.¹ The proposal addresses the issues under the Committee's consideration.

A copy of the Committee-approved, Phase Three Final Proposal is attached to this memo as Attachment 1.

RECOMMENDED CHANGES

The Committee's proposals are summarized in the attached table at pages 48-50 of the Phase Three (EDAM) Final Proposal. As reflected in that table and discussed in more detail in the body of its paper, the Committee proposes changes to the ISO's currently effective governance in the following areas:

Delegation and Scope of Governing Body's Shared Approval Authority and Related Items

The Committee recommends that the "joint authority" delegation of authority model currently used for the WEIM be retained for EDAM. Under this model, proposed tariff changes within the two bodies' shared approval authority are typically presented to both bodies in a jointly held session that allows the members of both bodies to hear and participate in a full group discussion of the topic. At the end of the discussion, each body then votes separately. Approval by a majority of the members of each body is required for the proposed tariff amendment to be filed with FERC.

The Committee believes that the joint authority model promotes substantial collaborative benefits and supports its extension to EDAM because the WEIM and EDAM are themselves closely interconnected and both are intertwined more generally with the real-time and day-ahead markets. In light of these connections, the joint authority construct is optimal because it encourages stakeholders and the two bodies to come together in one forum to collaboratively consider and address any issues involving the WEIM and EDAM that may arise over time.

Regarding the scope of the Governing Body's authority, the Committee recognizes that a workable definition for joint authority must be fair and also provide a clear and objective test that is relatively easy to administer. It must also be matched with a robust process for

¹ The Committee voted 10-0 to approve the Phase Three proposal. Although one additional voting member of the Committee was unable to attend the general session meeting where the vote occurred due to a scheduling conflict, that member submitted a letter of support for the proposal to the Committee Vice Chair in advance of the meeting.



receiving the Governing Body's advisory input to the Board of Governors on a broader set of topics that is designed to ensure that the Governing Body's input is fully considered. With these principles in mind, the Committee recommends two enhancements to the current delegation of authority.

First, the Committee recommends revising the current scope of joint authority so that the "applies to" test that currently covers rules applicable to participants in the WEIM will also cover rules applicable to participants in EDAM. Joint authority would also apply for tariff rules that directly establish or change the formation of locational marginal price(s) for a product that is common to the overall WEIM or EDAM market. The Committee also recommends including a note confirming, for the avoidance of any doubt, that the joint authority definition does not cover balancing authority-specific measures the ISO may use to ensure reliable operation within its balancing authority area. Taken together, these recommendations would result in the following changes to the existing joint authority definition shown in blue underlining:

"Joint Authority": The WEIM/EDAM Governing Body will have joint authority with the Board of Governors to approve or reject a proposal to change or establish a tariff rule applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM. The WEIM/EDAM Governing Body will also have joint authority with the Board of Governors to approve or reject a proposal to change or establish any tariff rule for the day-ahead or real-time markets that directly establishes or changes the formation of any locational marginal price(s) for a product that is common to the overall WEIM or EDAM market. The scope of this joint authority excludes, without limitation, any other proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid.

Note: For avoidance of doubt, the joint authority definition set forth above does not include measures, such as parameters or constraints, the CAISO may use to ensure reliable operation within its balancing authority area.

Second, , the Committee recommends extending the Governing Body's advisory authority to all day-ahead market rules not covered by joint authority. The Committee also proposes two enhancements to the decisional process when the Governing Body uses its advisory authority to recommend against adopting a proposal:

- The Governing Body's input must be provided and discussed in joint general session of both bodies; and
- If the Board gives approval to file the proposal with FERC, the Governing Body would have the ability to hire outside counsel or other independent assistance to prepare a written statement of its opposition that will be submitted to FERC in the proceeding in which the ISO makes its tariff filing.

These requirements were designed to provide assurance that the advisory input process

is robust and provides the Board and FERC with a full record upon which to make their respective determinations.

The Committee also considered procedural issues related to delegation of authority, including whether any changes should be made to the decisional classification process or the dispute resolution process that comes into play if the Board and Governing Body were to disagree on whether to approve an initiative within their joint approval authority. The Committee concluded that the current decisional classification process—in place and essentially unchanged since the inception of the Governing Body in 2015—is working and does not require changes. Similarly, the Committee believes that the current dispute resolution process, which includes a remand process to address potential disagreements between the two bodies, is a balanced approach that does not require any changes.

Size and Composition of the Governing Body

The Committee recommends that the ISO add a step to the nomination process when a sitting member of the Governing Body seeks an additional term. The EDAM will increase the responsibility of the Governing Body, and the Committee recognizes that stakeholders need assurance that Governing Body members will be qualified to assume the increased responsibilities. The Selection Policy for the Governing Body currently allows the Nominating Committee to re-nominate sitting members without interviewing other candidates. Because these members were selected to be responsible for the WEIM only, the Committee recommends that when deciding whether to re-nominate a sitting member, the Nominating Committee evaluate whether that member has the necessary experience and capabilities given the additional responsibilities associated with the EDAM.

At this time, the Committee does not propose any changes to the size of the Governing Body, but does recommend that this issue be reconsidered in the future with the benefit of additional information learned over time, including the eventual scope of EDAM. The Committee recommends that the next re-evaluation of governance, set in the Charter to begin “[n]o later than June 2026,” consider whether it would be beneficial to increase the size of the Governing Body.

Regarding compensation, the Committee recommends that ISO management arrange for a study in 2023 to evaluate whether compensation of the Governing Body is commensurate with similar bodies, and whether compensation would be an obstacle to finding qualified candidates in the future.

Stakeholder Engagement and Policy Development

Regarding stakeholder engagement and policy development, the Committee offers two recommendations. First, the ISO should maintain the current stakeholder engagement framework and employ working groups as part of the stakeholder process for initiatives that are complex enough to have a wide range of possible solutions and are likely to have a significant impact on a wide range of market participants or other stakeholders as to warrant the extra work. Along these lines, the Committee encourages the Regional Issues Forum (RIF) to continue its transition from a role that was largely educational at its outset to one that is capable of providing advisory input as well, and urges ISO staff to

proactively support this transition.

Second, to enhance stakeholder engagement in prioritizing policy initiatives, the Committee also recommends that the annual policy roadmap process begin with a roundtable discussion hosted by the RIF about priorities within the set of possible discretionary initiatives. This would take place after staff compiles the catalog of possible initiatives, identifies those that are required by FERC or otherwise mandatory, and provides very general guidance on the capacity available in coming years for additional discretionary initiatives. This RIF roundtable would precede ISO management's publication of its own proposed prioritization among the discretionary initiatives and the remainder of the currently effective process. Details regarding the proposed roundtable are set forth in the Committee's final proposal.

ISO's Responsibility to Consider Regional Stakeholders

To address concerns of certain stakeholders, the Committee recommends that the ISO clarify that it is not obligated to advance the interests of California at the expense of participants from other states. Specifically, the ISO should add language to the bylaws clarifying that the company has the obligation to weigh the interests of all stakeholders within the footprint of the markets that it administers, including the Corporation's balancing authority area, EDAM balancing authority areas and WEIM balancing authority areas.

Timing

The Committee recommends that the proposed governance changes become effective once FERC has conclusively accepted the ISO's section 205 filing for the EDAM market design. The Committee believes that this proposal strikes the proper balance, making the proposed governance changes contingent on the near-certainty that EDAM will come to fruition, while assuring future EDAM participants that tariff changes that may be relevant to their coming participation in EDAM will be approved under the revised delegation of authority.

STAKEHOLDER COMMENTS ON THE PROPOSED CHANGES

The Committee has summarized and addressed stakeholder comments throughout its papers, including the Phase Three Final Proposal. As indicated there, most stakeholders support all or nearly all aspects of the proposal. Although some commenters proposed refinements that the Committee did not ultimately include in its recommendations, or did not agree with certain details of the proposal, there is broad support among stakeholders for the proposal overall, with many commenting that the proposal will enhance regional confidence and support for WEIM.

CONCLUSION

Management greatly appreciates the enormous time and substantial effort the WEIM GRC has devoted in developing its proposal and recommends that both the Governing



Body and the Board of Governors approve the Committee's Phase Three proposal. Upon approval, the Committee will have completed its current assignment.

If approved, Management will develop implementing revisions to the relevant governance documents and bring them to the Governing Body and the Board of Governors for their input and approval on a timeline that would allow for implementation consistent with timing recommended in the Committee's proposal.

Finally, it bears mention that the GRC Charter contemplates that the Committee would serve as a temporary advisory committee to develop and submit proposals to refine WEIM governance and for a potential EDAM. If the Committee's Phase Three proposal is approved by the Governing Body and the Board of Governors, the Committee will have successfully accomplished its intended purpose. Thus, if the proposal is approved, Management recommends that the Board and Governing Body dissolve the Committee at this time. Management has proposed a separate resolution that would recognize the Committee for its outstanding work and effectuate its dissolution.