

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

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

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.

NV Energy appreciates the challenges the Committee faced in formulating a governance proposal. The Committee has done an excellent job tackling a fundamentally complex issue and designing a proposal that is most practicable and workable at this time. Having reviewed the Straw Proposal, NV Energy is therefore supportive of the governance structure put forth by the Committee. While NV Energy believes a regional EIM should be ultimately governed by an independent body with members who are free from conflicts of interest, NV Energy understands the practicalities of the immediate

need to provide a form of independent oversight of the EIM within the legal limitations related to the current CAISO Board structure. NV Energy also generally supports the process for selecting the EIM governing body, but seeks more detail on constituting and supporting the body. The Committee should provide information on: (1) the expected qualifications and expertise of the individuals serving on the governing body and (2) the expected costs of the governing body, including costs associated with the search firm, and how those costs would be allocated. Given that the benefits of the EIM flow to the CAISO, the EIM Entities and the EIM participants, NV Energy would expect the costs to be allocated to all parties.

NV Energy recognizes that establishing a completely autonomous entity at this time would present significant challenges, increase costs, and potentially disrupt the co-optimization with the current CAISO markets. A premature severance of the EIM may also raise challenges for the operation of the EIM footprint. Finally, the preferred option – changing the way the CAISO’s Board is constituted – would require changes in California law and, therefore, presents too steep of a hurdle for initial implementation.

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.

The Committee’s proposed division of responsibility, whereby the EIM governing body serves as primary decision-maker on market rules specific to EIM and occupies an advisory role on other market rules that affect EIM, is reasonable. However, there may be certain issues that are not easily defined in either category – especially if the issue is whether or not it is reasonable for a CAISO requirement to apply generically to the EIM in the first place.

For example, the Straw Proposal cites on page 19 the flexible ramping capacity product requirements as an area where the EIM governing body would have an advisory role. This capacity product is part of the CAISO resource adequacy program and a means for allocating procurement responsibilities among CAISO load serving entities. This requirement may apply to the real time market, but arguably may not apply to a voluntary energy market such as the EIM. The EIM governing body should possess the authority to determine which CAISO requirements should or should not be applicable to EIM Entities.

Another example that does not fit squarely in either category is the potential allocation of uplift costs between EIM Entities and other CAISO real-time market participants based on cost causation. During the initial EIM stakeholder process, the CAISO recognized that it was not appropriate to allocate to EIM Entities costs associated with virtual transactions. NV Energy recognizes that for this model of dual responsibilities to be successful, it will require close cooperation between the EIM governing body and the CAISO Board as they address a number of complex issues. The final proposal and implementing documents should try to provide examples of how the scope of authority

should be divided and how a dispute over that authority should be resolved.

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

NV Energy agrees that the goals, selection criteria, and scope of authority should be documented in the CAISO bylaws. As to the issue of durability, NV Energy supports a limitation that would prevent any changes to the scope of authority of the EIM governing body unless the change is mutually agreed to by the governing body and the CAISO Board, at least for a period of time commensurate with the ability of an EIM Entity to withdraw from the EIM.

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

The Committee proposes establishing a separate advisory body of regulators from the states in which EIM operates. This advisory body would include both state commissioners and comparable representatives from publicly-owned utilities that participate in the EIM, and appears to be a reasonable and appropriate means of ensuring that regulators and governmental authorities have a strong voice in the EIM.

Trigger for re-evaluating EIM governance

The governance structure should be re-evaluated as circumstances warrant. On one hand, the final proposal and bylaws should provide greater specificity as to the specific triggers for re-evaluating EIM governance. On the other hand, given the size and geographic diversity of PacifiCorp, NV Energy, and Puget Sound, an argument can be made that the threshold for advocating an overall change to CAISO governance has already been reached. At a minimum, the Committee should provide guidance and clarity as to what is meant by number of entities, sufficient size, or new functionalities.

There should be a commitment written into the CAISO governing documents that the CAISO Board as well as the EIM governing body should advocate the necessary changes to California state law to promote a fully independent board as the criteria are triggered. The bylaws should also provide for a transition process from an independent EIM governing body to a truly independent CAISO board.

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

As to the criteria, NV Energy suggests including not only protecting the “integrity and reliability of current ISO operations,” but also protecting the integrity and reliability of current EIM Entities’ operations. In addition, benefits and costs should include an ability to ensure appropriate allocation of costs between the CAISO and the EIM participants. Finally, the criteria should include the ability to control the scope and mission of the EIM.

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

NV Energy also expresses its support for the “Next Steps” outlined by the Committee in the Straw Proposal, and the associated dates contained therein.