



## ORA

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California Public Utilities Commission*

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**VIA ELECTRONIC MAIL**

Stacey Crowley  
Director, Regional Affairs  
California Independent System Operator Corporation (CAISO)  
250 Outcropping Way  
Folsom, CA 95630

Subject: Conceptual Governance Models for the Energy Imbalance Market (EIM)

Dear Ms. Crowley;

The Office of Ratepayer Advocates (ORA) respectfully submits the following comments on the conceptual governance models developed by the EIM Transitional Committee (or Transitional Committee) and presented in the January 5, 2015 issue paper "Conceptual Models for Governing the Energy Imbalance Market" (Issue Paper). ORA is an independent entity within the California Public Utilities Commission (CPUC) with a statutory obligation to represent the interests of public utilities customers within the jurisdiction of the CPUC. ORA strives to achieve utility service at the lowest possible rates consistent with safe and reliable service and California's environmental goals. ORA thanks the Transitional Committee for soliciting stakeholder input as it develops a recommended proposal for the long-term governance structure of the EIM.

ORA offers the following recommendations and preliminary comments on the Issue Paper:

- In the March 19, 2015 straw proposal, the Transitional Committee should provide an estimate of the potential costs associated with both the implementation and maintenance of all three models.

The Issue Paper states that in Models 1 and 2 the California Independent System Operator (CAISO) would provide staff support and other resources necessary for the satisfaction of the duties of the EIM committee.<sup>1</sup> The Transitional Committee should discuss in greater detail what current EIM costs are, as well as estimating what they would be in the future. Regardless of the

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<sup>1</sup> Conceptual Models for Governing the Energy Imbalance Market, January 5, 2015 (Issue Paper), pp. 9-10.

governance structure ultimately selected, ORA recommends that the EIM budget be separate from the budget of any member balancing authority such as the CAISO's budget.

Additionally, if the CAISO Board ultimately selects a model for the EIM governance in which the CAISO provides staff support and other resources, the Transitional Committee should record the cost of implementation and maintenance so that an accurate estimate exists should the governance structure of the EIM eventually change.

Finally, the Transitional Committee should provide an estimate of the costs that would be incurred in Model 3, in which the EIM organization would organize its own staff and enter into a vendor services agreement with the ISO for providing the market software and housing the systems and support staff.

- Adoption of the third conceptual model – governance through an autonomous separate entity, appears likely to garner support of more balancing authorities.

ORA agrees with the Transitional Committee's observation that an EIM organization that is governed through an autonomous separate entity is more likely to convince additional balancing authorities to participate in the EIM.<sup>2</sup> A greater number of market participants would enhance the EIM's efficiency in resolving energy imbalance issues arising from the volatility of demand, and supply including intermittent generation. An autonomous governing model would clearly signal to potential market participants that this endeavor is solely focused on the development of an EIM. The Issue Paper points out that over time, a separate entity might develop rules that would "diverge to an unworkable degree from the ISO's other markets."<sup>3</sup> ORA recommends that in the event the CAISO adopts an autonomous EIM body as the governance model, that the EIM governing body be required to provide a stakeholder process about any proposed EIM rule changes. This would allow stakeholders to comment on any proposed changes that might undermine the coordination between the EIM and the CAISO's 5- and 15- minute markets.

- Regarding Model 2 (A Governing Board Established by ISO Bylaws): ORA recommends the adoption of a mechanism that would enable the reconciliation any potential inconsistencies that may arise from two separate entities producing a single CAISO tariff.

The Issue paper states that in Model 2, the EIM board would have primary governing authority over the portions of the CAISO tariff that address exclusively the EIM; it would have a secondary authority (advisory role to the CAISO Board) over elements of the tariff that may impact the EIM.<sup>4</sup> Overlapping the EIM with the CAISO's markets could impact the business as usual of the CAISO markets. The Transitional Committee should discuss in further detail its vision of this process and what potential mechanisms could be implemented to ensure that the

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<sup>2</sup> Issue Paper, p. 7.

<sup>3</sup> Issue Paper, p. 14.

<sup>4</sup> Issue Paper, p. 9.

process of producing the integrated ISO tariff is well-coordinated between the two governing entities.

- If Model 1 (An Advisory Committee) or Model 2 is selected, ORA recommends the addition of a provision, whereby a threshold number of balancing authorities to the EIM triggers an opportunity to revise the structure of the EIM governance model.

As the number of balancing authorities that participate in the EIM begins to grow, the needs of those market participants may evolve and the Transitional Committee should plan for that potential change in needs by considering the mechanisms that would allow the EIM governance structure to be altered if a growing number of stakeholders and market participants determine that a different governance structure would prove more beneficial. The CAISO should invite comments on whether there is a particular number of balancing authorities participating in the EIM that should trigger an opportunity for a change in the EIM governance model.

- ORA recommends an EIM governance model wherein the members of the EIM board have staggered 3-year terms as is the case with the boards of power market operators such as PJM Interconnection (PJM), Mid-Continent Independent System Transmission Operator (MISO), Southwest Power Pool (SPP), Independent System Operator-New England (ISO-NE) and the CAISO.

The Issue Paper notes that readers should assume that the models are otherwise identical regarding such considerations as the number of members, their tenure and compensation, open meetings and availability of records, and other issues. The Transitional Committee should discuss in greater depth these particular facets of the composition of the EIM board so that stakeholders have an opportunity to provide input on these considerations.

Please contact Anand Durvasula at [Anand.Durvasula@cpuc.ca.gov](mailto:Anand.Durvasula@cpuc.ca.gov) or 415-703-2765 if you have any questions about these comments.

Sincerely,

/s/ Chloe Lukins

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