



Comments of Pacific Gas & Electric Company

Energy Imbalance Governance Straw Proposal

Submitted by	Company	Date Submitted
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I. Introduction:

PG&E offers these comments on the Energy Imbalance Market (EIM) Straw proposal, “Long-Term Governance of the Energy Imbalance Market,” developed by the California Independent System Operator (CAISO) and the EIM Transitional Committee (TC). PG&E appreciates and acknowledges the work done by the TC and CAISO to facilitate the development of a workable EIM governance structure.

Summary of the Straw Proposal:

The straw proposal contemplates a governance structure wherein a newly established independent EIM Governing Body has primary oversight of EIM-specific market rules that uniquely apply to the EIM and its participants and do not materially affect Real-Time market operations, Day-Ahead market operations, or other non-EIM matters. Rule changes or related actions passed by the EIM Governing Body are subject to approval of the Board through a consent agenda process. These EIM-specific rule-changes are called “Type 1” rule changes. Any other rule change is thus defined as a “Type 2” rule change, which is subject to the current Board approval process. The EIM Governing Body will serve as an advisory committee, if appropriate, for Type 2 rule changes.

The governance proposal also envisions creating a new Advisory Council of Regulators and Municipal Utility representatives (Regulator’s Council) to advise both the Board and EIM Governing Body. Rules establishing and codifying the EIM Governing Body will be written into the CAISO’s bylaws, governed by the Board.

Themes of PG&E’s Comments:

- **Real Time Market Efficiency:** PG&E believes that as long as the scope of authority for the EIM Governing Body is clearly defined, the proposed framework can promote the growth of the EIM and support comprehensive and efficient real-time market design. PG&E continues to maintain that market efficiency and comprehensive real-time market designs are paramount to the success and growth of the EIM.
- **Governance Structure and Authority:** PG&E recommends further definition of this governance structure, primarily where and how Type 1 and Type 2 rules are delineated. If defined too narrowly, the structure may constrain EIM interests. However, if defined too broadly, the EIM Governing Body may have oversight over out-of-scope matters and could delay the CAISO’s established governance process. Utilizing guiding principles for this division as well as specifying which tariff sub-sections are under each governing body’s primary authority should be clearly outlined in the next proposal.
- **Cost Estimates:** PG&E requests estimates regarding the costs and briefing needs of the EIM Governing Body and Regulator’s Council.

In line with these positions, PG&E offers further input via the Comments Response Template.

I. COMMENTS RESPONSE TEMPLATE

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

A. Composition of the Nominating Committee

The EIM TC has proposed that the voting members of the nominating committee used to identify nominees for the EIM Governing Body come from four identified stakeholder sectors: EIM entities, participating transmission owners (PTOs) and other entities that serve load in the CAISO’s balancing authority (except publicly owned utilities), suppliers of generation within the EIM, and publicly-owned utilities within the EIM.¹

The Transitional Committee’s proposed approach differs from the CAISO’s current Board Nominee Review Committee which recognizes transmission owners and end-use/retail energy providers as separate sectors.

PG&E requests that the EIM Transition Committee consider splitting the single stakeholder sector “PTO and other load serving entities” into two separate stakeholder sectors: one for transmission owners and

¹ Straw Proposal, p.14-15

another for load serving entities that do not own transmission assets. PG&E would also like clarification to understand if municipalities that own transmission assets would be included in the “PTO and other load serving entities” or in the publicly-owned utilities stakeholder sector.

B. Process for Selecting Members

PG&E seeks clarification on the term lengths for the initial slate of Governing Body members. The initial establishment of the EIM Governing Body requires the approval of a slate of nominees with each Governing Body member serving a staggered three-year term. In its current design, the terms of all the members of the Body would be over at the same time. Will the term lengths for the members who make up the initial EIM Governing Body differ?

2. 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 proposal regarding the scope of authority of the EIM governing body is a reasonable and workable start. To the extent these details can be worked out on the front-end of the governance design, the potential for disagreement between the governing bodies on scope of authority could be reduced. The delineation between the categories of rules (i.e., Type 1 vs. Type 2) proposed in the straw proposal and the process through which existing or future rules are scoped are crucial elements to the governance proposal and require further detail. To this end, PG&E offers the following suggestions on improving the scope of authority:

- The TC should clarify through the stakeholder process the principles and process that will guide the scoping of rules in either category and should also delineate by specific tariff sections and subsections which category a specific rule would fall under.
- The specifics for Type 1 vs. Type 2 rules and the process by which the scope is determined could include a stakeholder review of the Tariff to determine which sections should apply to each category of rule.
- In each future stakeholder initiative, the CAISO Staff could estimate which tariff sections could be impacted by a market design change and thus which governance approval track should be followed. For instance, if a designated Type 2 tariff subsection is likely to be affected by the rule change, the Type 2 approval process should be followed.

It should be expected that the scope of issues in either category will change over time and as contemplated by the Transitional Committee there could be an evolution of thought as to which category a rule should fall under. The current proposal recognizes the need for a dispute resolution process, but indicates the details can be worked out by the two governing bodies. The next Straw Proposal should outline a process by which the governing bodies would come to agreement on whether an existing market rule or a newly proposed market rule is classified correctly under the EIM governing body’s authority. This would meet the Transitional Committee’s intent to allow the CAISO Board and the EIM governing body to jointly resolve questions about the scope as such questions arise.

3. 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

PG&E supports establishing the EIM Governing Body and codifying its structure with amendments to the CAISO’s bylaws rather than pursuing Tariff changes. The CAISO Board should retain full authority over its bylaws so that its legal status is not compromised and so that a single entity can ensure a comprehensive governance approach exists, even when changes are needed.

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

PG&E seeks clarity on the role, scope, costs, and briefing needs of the proposed State Regulator Advisory Body. For instance, would the State Regulator Advisory Body submit formal opinions to either of the governing bodies similar to the Market Surveillance Committee? What level of support (e.g., number of full time employees) from the CAISO staff would be required to support the State Regulator Advisory Body?

5. Trigger for re-evaluating EIM governance

No comment at this time.

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

PG&E believes a governance structure that prioritizes real-time market efficiency and supports comprehensive and smart market design will motivate and encourage prospective entities to join the EIM and ensure that all EIM participants will have the opportunity to share in the benefits over time.

Without further details, PG&E has concerns over governance structures specifically designed to “allow options to expand the functionality of the market to provide additional services as requested by EIM entities.” As written, this open-ended criterion could promote governance designs that contravene PG&E’s aforementioned market efficiency concern. The proposed criterion should be modified or removed.

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

In light of the recent announcement of the Memorandum of Understanding (MOU) entered into by the CAISO and PacifiCorp to explore and study the feasibility, benefits, and costs of PacifiCorp joining the CAISO’s balancing authority as a full participating transmission owner (PTO), PG&E acknowledges that the adopted EIM governance structure may need to be modified or refined in the future to take into consideration the addition PacifiCorp as a potential PTO. Further evaluation will be needed to address how an entity participating only in the EIM transitions into PTO and its resulting impacts to existing governance structures.