

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Puget Sound Energy (Puget or PSE) appreciates the opportunity to provide these comments on the Energy Imbalance Market (EIM) Transitional Committee’s (TC) Draft Final Proposal, issued June 22, 2015. Puget would like to thank the EIM TC and CAISO staff for their quality work on this well drafted proposal. Puget believes there are three primary issues that should be revised by the TC prior to finalizing the proposal: (i) further refinement of the requirement for geographic diversity and diversity of expertise of the EIM governing board, (ii) limits on the number of terms held by EIM governing board members, and (iii) the process to be followed for re-evaluation of EIM governance.

### 1. Basics of the EIM governing body

Comment:

#### I. Geographic Diversity & Diversity of Expertise

One of the main goals of the TC is to create a governance structure that equitably represents the regional nature of the EIM and provides oversight with expertise in Western electric systems and markets. To ensure this aspect of the EIM governing board materializes, PSE requests that requirements for diversity of expertise and geographic diversity be documented in the ISO bylaws or, at a minimum, in the charter of the EIM governing board.

#### *Geographic Diversity*

As recognized by the TC in Section 1 of the Draft Final Proposal (see citation to the Washington Utilities and Transportation Commission at footnote 1), the delegated authority model proposed in the Draft Final Proposal is not intended to represent ‘the end state’ of EIM governance. The work of the TC does not aim to “preempt a more comprehensive conversation about how the ISO as a whole should be governed to reflect its emerging regional nature.” The current efforts to develop an “interim” EIM governing board is to a large extent only necessary until the overarching governance of the CAISO markets represents the geographic diversity of all market participants.

Given the vital role of geographic diversity in the development of EIM governance, the TC must clearly

outline the requirements around geographic diversity in the final proposal and the ISO bylaws. The TC has outlined that “[o]ptimally, the EIM governing body overall should reflect diversity of expertise, so that it is not dominated by members who specialize in one subject area..., as well as geographic diversity. No one state or sub-region in the West should have excessive representation.” Section C, page 16. Puget requests that the Draft Final Proposal be revised to include a requirement that the geographic diversity and diversity of expertise of members be drafted into the amended ISO bylaws and that such requirement clearly define “geographic diversity” and/or “excessive representation.”<sup>1</sup> Puget believes excessive representation of one state or area of expertise can be defined in a variety of ways and is of sufficient importance that it should not be left to interpretation.

#### *Diversity of Expertise*

Puget supports the concept in the Draft Final Proposal requiring that the EIM governing board not be dominated by any one area of expertise (i.e., transmission, load office, merchant, marketing, etc.). One potential danger in further defining the requirements for geographic diversity is the potential for limiting the pool of qualified candidates, with diverse areas of expertise and expertise in Western electric systems and markets. The Draft Final Proposal includes a note that the EIM governing board “should include expertise in western electric systems and markets,” but the proposal explicitly encourages “outside perspectives” and notes that the slate of candidates should include “best candidates available in the United States.” Though some expertise outside the EIM region may be helpful, Puget believes expertise specific to Western markets is an important qualification for EIM governing board candidates and suggests outlining in the ISO bylaws a requirement that selection criteria prioritize experience in the West.

As a result of the above factors, Puget strongly supports revisions to the Draft Final Proposal to require the inclusion of selection criteria requiring geographic and expertise diversity in the EIM governing board. This requirement should be included in the ISO bylaws and should be drafted in a way that clearly defines “geographic diversity” and prioritizes Western electric system and market expertise. Puget suggests revising the last paragraph on page 16 of the Draft Final Proposal to state:

*The search firm would identify at least two candidates for each available slot (i.e., at least ten candidates for the initial creation of the body and at least two candidates for each subsequent vacancy). The nominating committee would then carefully review and interview candidates to develop a consensus slate of the most qualified candidates(s) for the available slot(s). The ISO bylaws will require that a preference is given to candidates with expertise in Western electric systems and markets, and will define the basic qualifications of candidates, including a requirement that the experience of no more than two members of the EIM governing board may derive the majority of their experience from any one state or area of expertise.*

## II. Term Limits

<sup>1</sup> Though the Draft Final Proposal notes that the EIM governing board charter (not ISO bylaws) will include “how” members will be selected, it does not mention documentation of selection criteria or requirements. See Section D, page 21.

The Draft Final Proposal provides the term length for the five EIM governing board members. Section C, page 17, states that new or renewed members will have three year terms after the initial terms in which one member would serve a term of one year, two would serve terms of two years, and two would serve terms of three years. The proposal fails to provide a limit on the number of terms that may be held by each EIM governing board member. Puget requests that a term limit of two or three terms, starting with the first full term of three years after the initial term of office, be documented in the EIM governing board charter. PSE believes that term limits will be an important measure to help combat the potential for bias arising from EIM governing board members’ self-confirmation of term renewal (after the initial slate of candidates is approved by the ISO Governing Board). An added measure that should be considered is a requirement that each EIM governing board member recuse herself or himself from approving his or her own term renewal.

**2. Selecting members of the EIM governing body (including the selection process and composition of the nominating committee)**

Comment:

**3. Scope of authority (including the proposed process for resolving disputes about which body has primary authority over a particular policy initiative)**

Comment:

**4. Composition and role of the advisory body of state regulators (including leaving development of their role and relationship with the ISO to the regulators themselves)**

Comment:

**5. Regional Advisory Committee (including what issues the proposed committee should address and whether it would provide a productive forum for discussion of the issues and/or would enhance the ISO’s existing stakeholder process)**

Comment:

**6. Commitment to re-evaluate governance**

Comment:

**Process for Governance Re-evaluation**

Puget appreciates the efforts of the TC in refining the commitment to re-evaluate governance in Section H, page 26 of the proposal. Puget requests that the TC further revise this section to add additional detail on the process by which the EIM governing board will evaluate and vote on future governance changes. This process should be outlined to assist with the difficult decision the EIM governing board members may be required to make, such as the potential discontinuation of their own positions.

Additionally, the Draft Final Proposal makes clear that a re-evaluation of the governance proposal should occur within five years. PSE requests that the starting point for the five year period be designated as November 1, 2014 (the date the market went live). In other words, prior to November 1, 2020, a re-evaluation of market governance must occur. Puget continues to support revisions to the current qualifications of the CAISO Board of Governors and their nomination process to ensure that the geographic regions of all market participants, including EIM Entities based outside the state of California, are represented in the independent CAISO Board of Governors and its nominating committee. Though Puget supports the five year cap on re-evaluation, it would encourage the EIM governing board to start making progress toward a change in the overarching governance structure now and to affect this change as soon as possible.

**7. Miscellaneous items.**

Comment:

Thank you again for this opportunity to comment on the Draft Final Proposal.