

EIM Transitional Committee Governance Issue Paper

Stakeholder Meeting

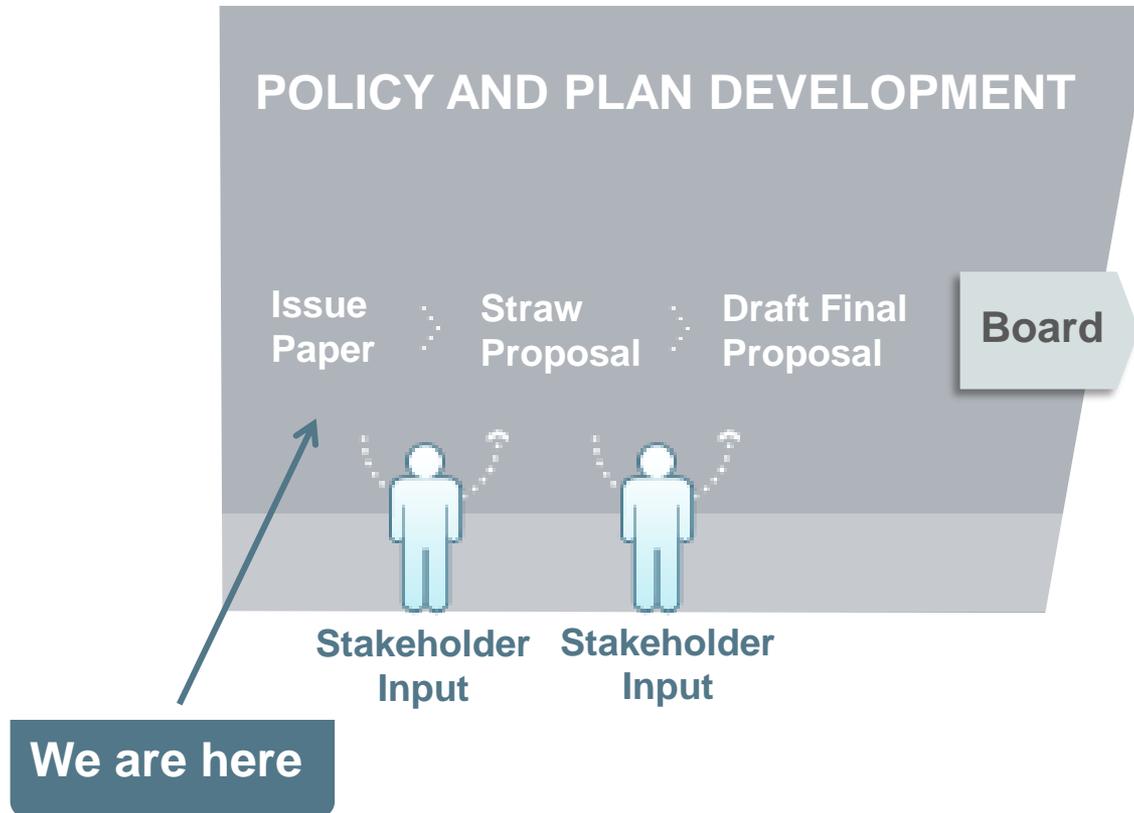
EIM Transitional Committee Stakeholder Working Group

January 12, 2015

Agenda

Time	Topic	Presenter
10:00 – 10:10	Introduction	Kristina Osborne
10:10 – 10:30	Background on EIM and the work of the Transitional Committee	Dede Hapner
10:30 – 10:50	Criteria for evaluating EIM governance proposals	Natalie Hocken
10:50 – 11:50	Models representing potential relationships between EIM body and the ISO	Carl Zichella
11:50 – noon	Wrap-up and Next Steps	Kristina Osborne

The EIM Transitional Committee is following the ISO Stakeholder Process



Tentative stakeholder engagement schedule

Date	Event
January 5	Issue Paper posted
January 12	Stakeholder meeting on Issue Paper
January 26	Stakeholder comments due
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April 16	Stakeholder comments due
May 21	Committee to post revised or final Straw Proposal
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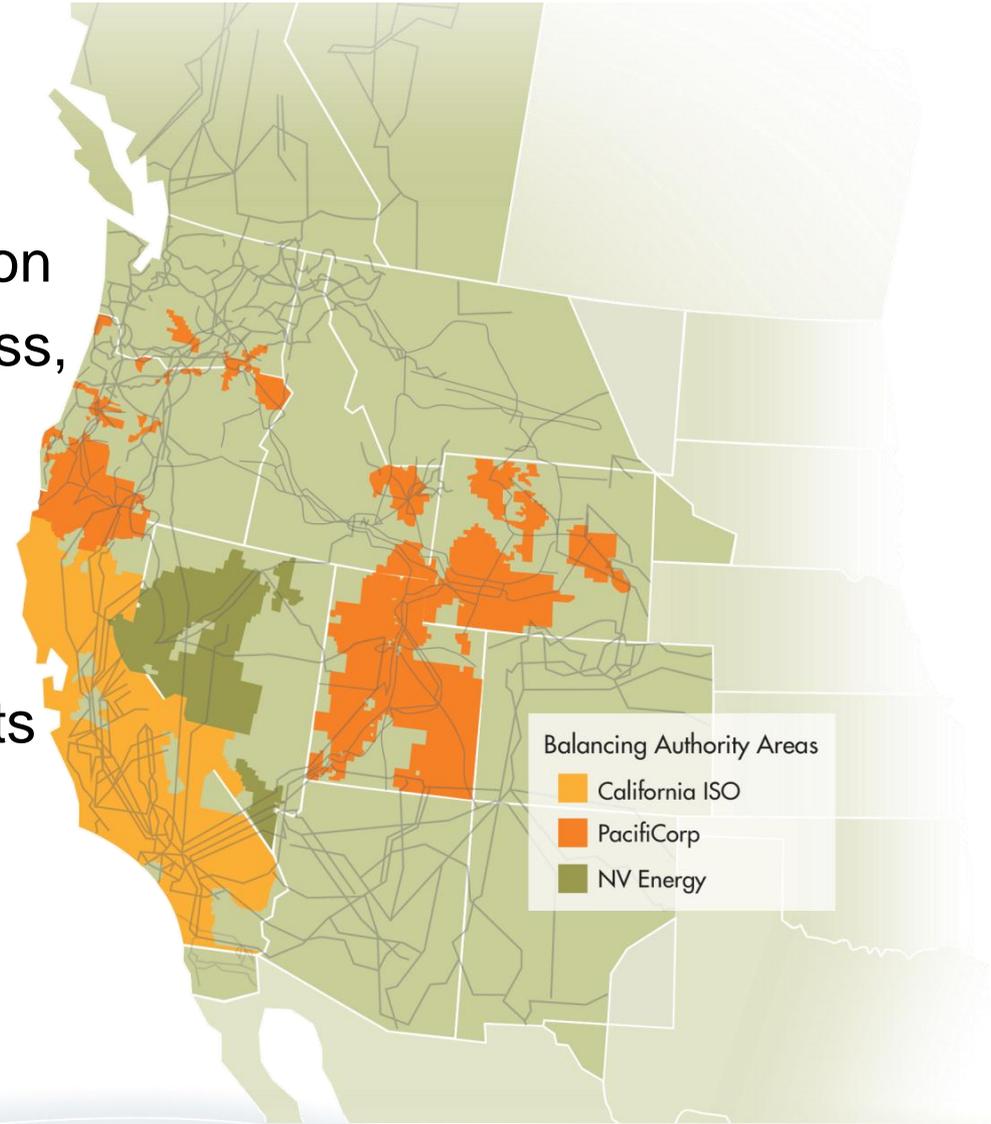


Dede Hapner, PG&E

BACKGROUND ON EIM AND TRANSITIONAL COMMITTEE

Energy Imbalance Market is an important tool for renewable integration

- Builds on existing market: automated dispatch resolves imbalance & avoids congestion
- Provides situational awareness, enhances reliability
- No critical mass required, and no exit fees
- Easily scalable, low-cost, low risk option for new participants
- Preserves BAA autonomy, including compliance, balancing, and reserve obligations



ISO will track EIM regional benefits and provide quarterly reports to stakeholders

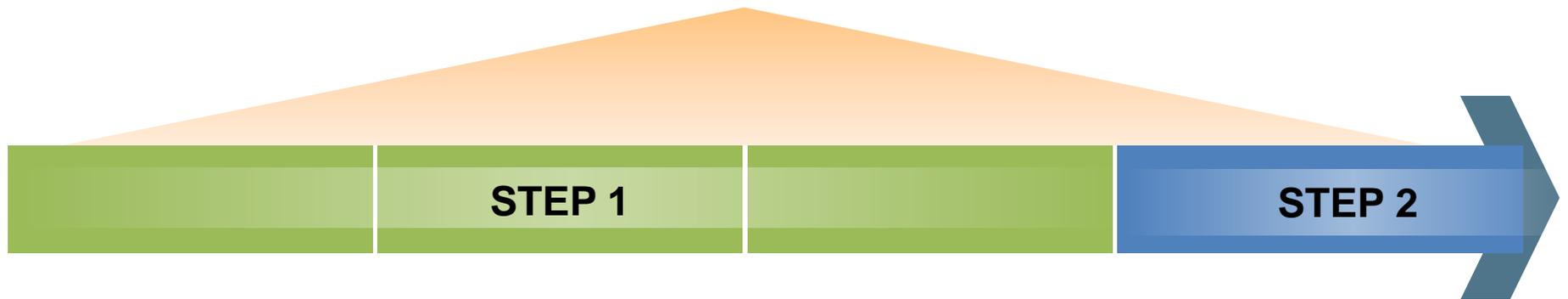
	ISO/ PacifiCorp study (in millions)	ISO/NV Energy study on incremental benefits (in millions)
annual benefits	\$21.4 - \$129.0	\$9.0 - \$18.0 (2017)
		\$15.0 - \$29.0 (2022)
start-up costs	approx. \$20.0 (\$2.5 to ISO)	approx. \$11.20 (\$1.10 to ISO)
annual on-going costs	approx. \$3.00 (\$1.35 to ISO)	approx. \$2.60 (\$0.75 to ISO)

Benefits tracking to include savings from:

- Reduced flexibility reserves
- Balances in real-time with least cost generation
- Reduced renewable energy curtailment by leveraging geographical diversity of loads and resources in the market footprint

Guiding objectives drive long-term EIM structure

Prompt & direct input
Adaptable structure
Promote successful implementation



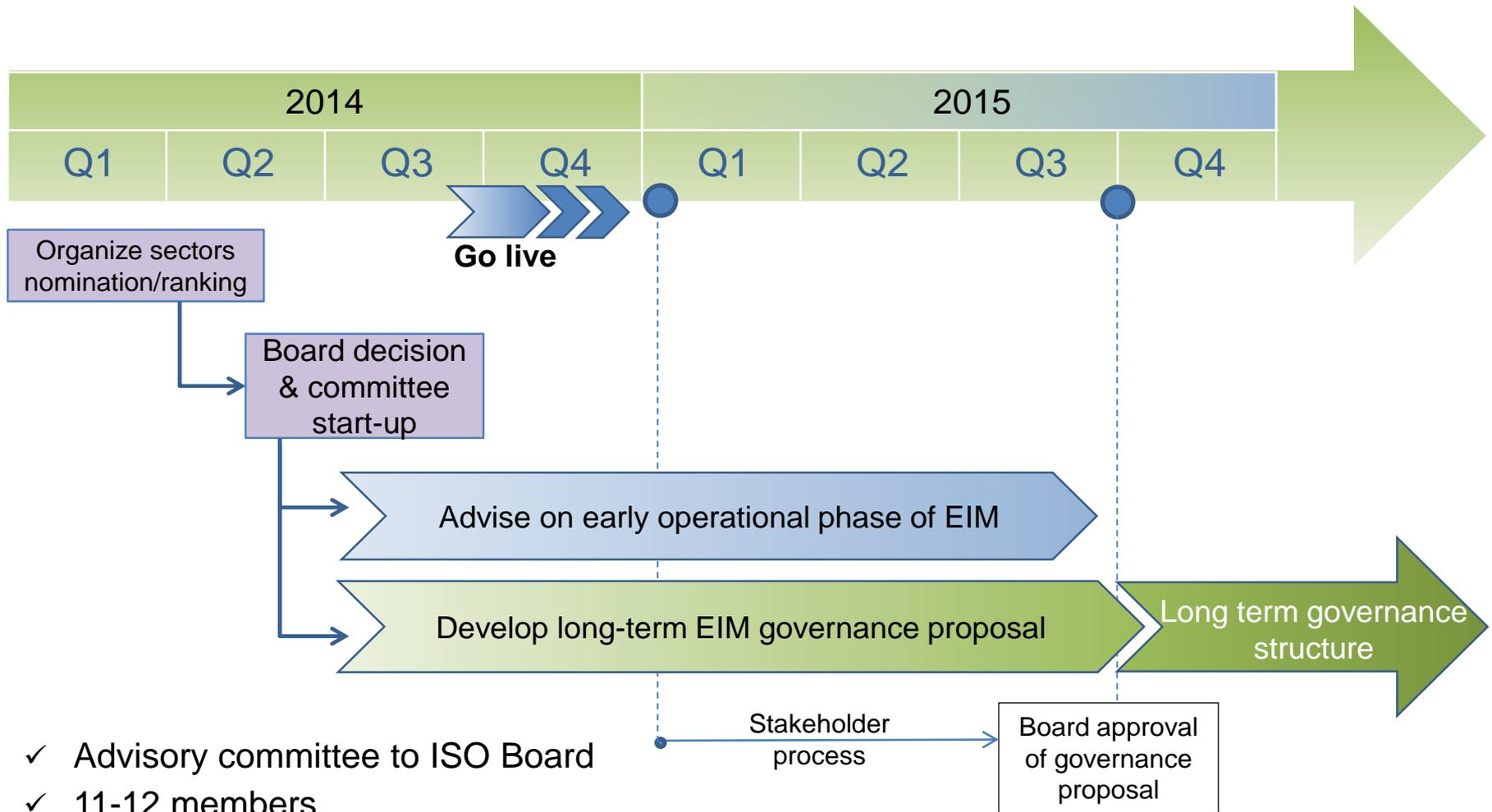
Stakeholder Transitional Committee

Roles:

- Advise on EIM matters
- Propose long-term EIM structure

Long-term
EIM structure

Transitional Committee work is underway



- ✓ Advisory committee to ISO Board
- ✓ 11-12 members
- ✓ Open meeting policy

Transitional Committee appointed in May 2014

1. **Chair Rebecca Wagner**, Commissioner, Public Utilities Commission of Nevada
2. **Stephen Beuning**, Xcel Energy, Inc.
3. **Tony Braun**, Braun Blaising McLaughlin & Smith, PC
(representing CA Municipal Utility Association)
4. **Dede Hapner**, Pacific Gas and Electric Company
5. **Natalie Hocken**, Representative from EIM Entity PacifiCorp
6. **Travis Kavulla**, Commissioner, Montana Public Service Commission
7. **Kevin Lynch**, Iberdrola Renewables
8. **Mark Smith**, Calpine Corporation
9. **Walter Spansel**, Representative from EIM Entity NV Energy
10. **Robert Weisenmiller**, Chair, California Energy Commission
11. **Carl Zichella**, Natural Resources Defense Council

The committee first met in July 2014 and has been provided with briefings from ISO management

- Regular updates on EIM implementation and deployment
- Presentations on current ISO governance framework
 - Tariff on file with FERC
 - State statute and regulations
 - Tax status
- Briefings on a variety of ISO issues including:
 - Role of the Market Surveillance Committee
 - Role of Department of Market Monitoring
 - Activities and coordination with Peak Reliability

Natalie Hocken, PacifiCorp

CRITERIA FOR EVALUATING EIM GOVERNANCE PROPOSALS

Criteria for Evaluating EIM Governance Proposals (1 of 4)

Operations

- Protect the integrity and reliability of current ISO operations;
- Provide for efficient interaction between the EIM and the ISO's other market functions.

Benefits and Costs to Participants

- Ensure that all participants in the EIM have the opportunity to benefit from it over time;
- Control costs to ensure that favorable cost/benefit ratios are maintained.

Criteria for Evaluating EIM Governance Proposals

(2 of 4)

Confidence in Governance to Facilitate Possible Expansion

- Provide decision makers and stakeholders confidence that the EIM governing body is pursuing the best interest of the market as a whole and is not unduly influenced by a single state or a narrow set of entities or states;
- Provide the foundation for new entrants into the EIM market, allowing its geographic reach to broaden, as appropriate;
- Allow options to expand the functionality of the market to provide additional services as requested by EIM Entities.

Criteria for Evaluating EIM Governance Proposals

(3 of 4)

Compliance with Legal Requirements and the Committee Charter

- Fulfill the requirements of the Transitional Committee Charter, including the requirement that the EIM governing body be comprised of independent members, free from conflicts of interest;
- Protect the EIM, its participants, and consumers against market-power abuse;
- Clarifying the rights and obligations of EIM participants under Federal Power Act Section 205;

Criteria for Evaluating EIM Governance Proposals (4 of 4)

Compliance with Legal Requirements and the Committee Charter (cont'd)

- Ensure the duties and responsibilities for compliance with the Federal Power Act are clearly delineated between the California ISO and the EIM governing entity for EIM tariffs; and
- Ensure that the EIM complies with other applicable legal requirements, including but not limited to environmental regulations and states' renewable energy goals.

Carl Zichella, Natural Resource Defense Council

DESCRIPTION OF RANGE OF GOVERNANCE MODELS

Three Models Representing a Range of Potential Relationships

Paper outlines

- The general relationship between the ISO and the EIM governing body;
- The nature and degree of the influence the EIM body should have over EIM rules.

Central features common to each model

- Independence of members
- Process for selecting new members
- Organization of state regulators

Model	Advisory Committee	Governing Board under Bylaws	Autonomous Separate Entity
Nomination and Selection	Various stakeholder sectors identify nominees, subject to approval by the ISO Board	Various stakeholder sectors identify nominees, subject to approval by the ISO Board initially and, subsequently, the EIM board	Various stakeholder sectors and a member of the ISO Board identify nominees, subject to approval by EIM Sector Stakeholders
Scope of Authority	Advisory role only – Make recommendations to ISO Board about proposed tariff changes and other EIM-related matters	Mixture of delegated authority and advisory role - Have primary governing authority over the portions of the ISO tariff that address exclusively the EIM; secondary authority (advisory role to the ISO Board) over elements of the tariff that affect but are not limited to the EIM	Complete rights under Section 205 to file changes to EIM tariff Have full rights under Section 205 for a free standing tariff separate from the ISO tariff. To change the market rules, the EIM organization would need to file at FERC and negotiate contractual changes with the ISO
Relationship with ISO	Members have contracts with ISO and collectively serve as advisory body to ISO Board, like the Market Surveillance Committee and the Transitional Committee	Through amendment, ISO bylaws establish role of EIM board and reflect delegation of authority	No governance relationship - ISO would provide services to the EIM organization, such as running the integrated market, pursuant to a contract with the ISO
Resources/ Funding	ISO staff available to meet needs of the committee; no additional funding needed	ISO staff available to meet needs of the committee; no additional funding needed	EIM organization hires staff, procures facilities, and pays the ISO for services under a contract. Recover costs through a new charge for EIM participation.

Additional Factors to Consider

- Is it necessary for the EIM body to have at least some degree of authority to change market rules?
- Could the “Advisory Committee” model involve a board that consisted of stakeholder representatives?
- Would additional costs associated with the autonomous model be worth incurring?
- How would the EIM body work with the ISO under any of these models to avoid dueling filings at FERC?
- The tight integration with the ISO’s 5 and 15 minute markets raises practical issues – is there a risk that a separate body would diverge from market rules to an unworkable degree?

Questions

Next Steps



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Resources

EIM governance initiative page -

<http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarketGovernance.aspx>

EIM Transitional Committee Charter -

<http://www.caiso.com/Documents/EnergyImbalanceMarketTransitionalCommitteeCharter.pdf>

Please submit comments to EIM@caiso.com
by January 26, 2015