

Memorandum

To: ISO Board of Governors
From: Roger Collanton, Vice President, General Counsel
Date: December 7, 2016
Re: Decision on proposed EIM governance guidance document

This memorandum requires Board action.

EXECUTIVE SUMMARY

Management requests that the Board adopt the proposed guidance document for EIM governance, as required by the ISO corporate bylaws as amended in December 2015. The bylaws require the Board to adopt a separate guidance document to explain the delegation of authority to the EIM Governing Body and to provide additional detail about the process that ISO Management should follow with policy initiatives during both the stakeholder process and the Board approval phase in order to ensure that the EIM Governing Body can perform its functions effectively and with the full benefit of stakeholder input. This document will provide guidance to the ISO in handling policy initiatives that may fall within the decisional or advisory authority of the EIM Governing Body, and establish a process for determining whether and to what extent the EIM Governing Body must approve a proposed tariff amendment. Management has prepared a draft guidance document, which has been posted for stakeholder comment. It is supported by present and future EIM entities, and endorsed by the EIM Governing Body.

Management recommends the following motion:

Moved, that the ISO Board of Governors adopts the proposed guidance document for EIM governance, attached to the memorandum dated December 7, 2016, as the procedures to guide ISO employees as required by Article IV, Section 1(c) of the ISO's corporate bylaws.

Background

The ISO's bylaws and the Charter for Energy Imbalance Market Governance, both of which were approved by the Board in December 2015, establish the decisional authority of the EIM Governing Body. They left for later determination, however, the details of the process to be followed in the steps leading up to decisions, and also for how the EIM Governing Body will provide advisory

input to the Board. These details are to be specified in a “guidance document” to be approved by the Board. See ISO Corporate Bylaws, Article IV, Section 1.c.

Management has prepared the attached proposed guidance document, entitled *Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body*. The proposed document explains the authority of the EIM Governing Body in a functional manner, using illustrative examples, for ease of use.

The document details the process steps to be followed in policy initiatives, with a focus on reaching the correct decisional designations for each policy initiative – i.e., the correct role of the EIM Governing Body in approval of the initiative. A central theme is providing maximum transparency for the proposed decisional designation, as well as opportunities for input from both stakeholders at large and the EIM Governing Body itself, before Management reaches its final decision. Although Management’s decisional designation is subject to review by the Board and the EIM Governing Body through the dispute resolution process described in the Charter, the goal is to minimize the need for this step.

As reflected in the document, the key process steps include:

- Stating the tentative decisional designation for proposed tariff changes in each paper posted during the stakeholder process;
- Regular review with the EIM Governing Body in public session of pending policy initiatives. This review will allow the EIM Governing Body to discuss the tentative decisional designations, and to decide which matters should be presented to it for advisory input to the Board;
- Management will reach its own final decision – the “initial determination” after receipt of comments on a draft final proposal;
- This initial determination will be sent to the Chairs of both bodies in a public notice, and will include links to the stakeholder papers as well as any comments that disagreed with the decisional designation on the draft final proposal; and
- The Chairs ordinarily will have at least one week to consider the notice before they must decide whether to invoke the dispute resolution process that is detailed in the Charter for EIM Governance (and restated in the proposed guidance document).

The proposed document also explains how matters will be presented to the EIM Governing Body. Decisional matters will be accompanied by a memorandum, similar to how decisional matters are presented to the Board of Governors. When the EIM Governing Body exercises its advisory role, Management will provide the body with a presentation and a copy of the draft final proposal for stakeholders. The EIM Governing Body may decide to appoint one of its members to convey the body’s advice to the Board, either in writing or in person.

Input from stakeholders and endorsement of the EIM Governing Body

A draft of the proposed document was posted for stakeholder review on October 4, and presented in a call on October 11 to representatives of approximately 30 stakeholders. Three sets of comments were submitted.¹

Detailed comments were submitted collectively by current and future participants in the energy imbalance market – PacifiCorp, NV Energy, Arizona Public Service, Puget Sound Energy, Portland General Electric and Idaho Power. These comments reviewed every aspect of the proposed document, and expressed the commenters' support. Stakeholders requested clarification on one matter: whether the Department of Market Monitoring and the Market Surveillance Committee will interact with the EIM Governing Body on its decisional matters as they do currently with the Board. In response, Management added a passage to the document to clarify that DMM and the MSC should interact with the EIM Governing Body as they do with the ISO Board currently. This is consistent with the Charter for EIM Governance, Section 3.1, in which the Board requires that a full-time staff member assist the EIM Governing Body and ensure that other ISO personnel provide any support that it requires.

Comments were also submitted by the Bonneville Power Administration and the Public Generating Pool. Both support the proposed document, and in addition propose that there should be a way for the Regional Issues Forum and the Body of State Regulators to provide input directly to the EIM Governing Body on ISO policy initiatives. Management has not made any changes to the document in response to these comments for several reasons. Under the ISO's Open Meeting Policy and the Charter for EIM Governance, any member of the public has the ability to provide input to the EIM Governing Body about proposed policy initiatives. To the extent the commenters are proposing a new formal authority for the Regional Issues Forum, in addition to or different than what is described in the governing documents, that would be outside the scope of the issues related to the proposed guidance document. There will be an appropriate forum to raise this issue when the role of the Regional Issues Forum is evaluated, which will begin no later than April 2017. See Section 6.1.4 of the Charter for EIM Governance.

Presented with this background and the current draft guidance document during its November 30 meeting, the EIM Governing Body adopted a resolution endorsing the draft for submission to the ISO Board of Governors.

CONCLUSION

Management requests that the Board approve the proposed guidance document, which establishes an effective and transparent process for implementing EIM governance.

¹ The comments are available at <http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=E0E81F63-6D5B-4864-A104-BC5ECEB2F0A1>.