

DOCKETED

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**Modesto Irrigation District Comments in Response to Regional Governance
Workshop, May 6, 2016**

Additional submitted attachment is included below.



May 20, 2016

Via e-Comment Portal

California Energy Commission
Docket Unit
Docket No. 16-RGO-01
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

**Re: Docket No. 16-RGO-01 – Regional Grid Operator and Governance;
MID Comments in Response to Regional Governance Workshop, May 6, 2016**

The Modesto Irrigation District (“MID”) appreciates the opportunity to offer comments in response to the May 6, 2016 Workshop held by the California Energy Commission (“Energy Commission”) and the Governor’s Office pertaining to governance of a regional independent system operator (“ISO”).

MID is an irrigation district, organized and operated under the laws of the State of California, which undertakes both electric and water operations. With regard to its electric operations, MID owns and operates facilities for the generation, transmission, distribution, purchase, and sale of electric power and energy at wholesale and retail. MID is a fully integrated, fully resourced utility.

One of the features of the California ISO (“CAISO”) that should be preserved in a regional ISO is the accessibility to CAISO staff, management, attorneys and the Board by any stakeholder. MID has seen the benefits of the CAISO’s stakeholder structure work in several ways. First, the CAISO operations are sufficiently complex, such that stakeholders must be judicious in spending resources in tracking and participating in particular processes. MID expects this circumstance to be no different in a regional ISO. For most, the degree of participation by a stakeholder may be little more than signing onto a web conference and following CAISO staff’s explanation of the issues. However, some stakeholder processes have the potential to impose fairly significant costs and burdens onto stakeholders if implemented. For example, the CAISO recently has considered various ways of addressing the issue of “affected systems”, an issue involving where a utility that is not a CAISO Participating Transmission Owner (“PTO”) may be impacted by nearby generators that wish to interconnect to the CAISO. The process by which the CAISO

assesses those impacts and coordinates with the affected system can have a high degree of significance for the affected system, to the extent such system risks losing the opportunity to work with the CAISO and interconnecting generator to address impacts that may require substantial cost contributions to infrastructure upgrades on the affected system's facilities. On the other hand, an affected system located outside of the CAISO's Balancing Authority Area may have little incentive to participate in stakeholder processes that involve reporting local resource adequacy resources. The CAISO stakeholder processes allow stakeholders to focus their resources in areas that are of importance to them.

Secondly, the CAISO's stakeholder processes permit stakeholders to bring alternative proposals directly to CAISO staff and attorneys. For example, MID has brought a complete proposal for the rate design of the CAISO's Grid Management Charge ("GMC"), the charge that recovers the CAISO's administrative costs and overhead, to CAISO staff's and stakeholders' consideration in a stakeholder process. Aspects of MID's proposal were incorporated into the CAISO GMC rate design ultimately proposed to the Federal Energy Regulatory Commission ("FERC"). MID's ability to bring a full proposal to the CAISO was more effective in persuading CAISO staff that certain cost causation principles were helpful contributions to the overall rate design, as opposed to being limited to criticism of a straw proposal. The CAISO stakeholder process allowed MID's proposal to be shared and vetted more readily with other stakeholders.

Lastly, the importance of direct access to CAISO management and the Board cannot be understated. While stakeholders and staff may not see eye-to-eye on particular issues, perhaps for reasons of narrow focus, the ability to raise issues before management and the Board allows for stakeholder concerns to be considered in the context of the broader picture.

What MID is concerned about as to the possibilities discussed for a regional ISO governance structure is a rigid committee approach that would exclude direct participation by stakeholders in the process. For example, stakeholder participation that is required to run through a committee representative risks views being diluted or not diligently advocated. Committee representation by restrictive sector representation can further impair stakeholders' rights. For example, the CAISO's stakeholder processes allow for direct participation by entities that are not CAISO PTOs, or are not located within the CAISO Balancing Authority Area. A committee structure that omits a stakeholder segment of such entities would unfairly exclude the ability of those entities to participate in regional ISO stakeholder processes. Entities that are not members of the regional ISO or are located outside of the regional ISO may have little choice but to transact with the grid operator, as is the case presently with the CAISO. Such stakeholders should have access to the regional ISO stakeholder processes. Further, stakeholder processes should be sufficiently flexible as to allow stakeholders to be able to propose alternatives to staff proposals, rather than being restricted to straw proposals developed by staff or a discrete group of stakeholders, entities or individuals.

Other questions that MID raises at this time for the consideration of the Energy Commission, Governor's Office and other interested policymakers include:

- What decisions will be tolerated in a transition agreement between PacifiCorp and CAISO management, versus what decisions entities and commissions would prefer to be reserved as decisions to be made by the new governance structure?
- Similarly, what decisions will be tolerated regarding regional resource adequacy and allocation of transmission access charges, versus what decisions entities and commissions would prefer to be reserved as decisions to be made by the new governance structure?
- Is there a place in the discussion of governance as to how existing contracts and obligations should be treated? Existing contracts were a significant issue in the transition to the California reorganized grid, and FERC agreed that those contracts should be honored. Only a very few existing contracts remain in California, and those should continue to be honored through their duration. A similar discussion may need to be held with respect to contracts that would reserve rights on facilities within the regional ISO.

MID reserves the right to raise further issues in the course of discussions concerning regional governance. MID looks forward to the continued discussion of regional governance, and thanks the Energy Commission, Governor's Office and other interested agencies for being willing to receive and consider these comments.

Respectfully yours,

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