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## **CLECA Comments on Regional Governance**

*Additional submitted attachment is included below.*

**BEFORE THE CALIFORNIA ENERGY COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of:  
Regional Grid Operator and Governance

Docket No. 16-RGO-01

**COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION**

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May 20, 2016

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**I. INTRODUCTION**

Governance is critical and a threshold matter for a regionally expanded Independent System Operator. It is critical not only for the other states considering entry, and for whom the current California-centric governance is not palatable, but also for California ratepayers, for whom the risk of significant, additional costs from regionalization looms large. California electric rates are significantly higher than those of other western states, and for large industrial customers using a lot of power, high rates lead to high bills. The potential risk of additional costs from expansion of the California Independent System Operator (CAISO) must be accompanied by greater potential benefits.

Much has been made of the potential benefits to California ratepayers from regional expansion of the CAISO. Whether the benefits materialize for California ratepayers depends in large part on the details of key aspects of the regional market structure, for example, allocation of regional transmission costs and regional Resource

Adequacy requirements. The details of the regional market structure should ultimately be decided by the regional entity, and ratepayers, including industrial ratepayers, should have a voice in the development of the governance structure for the regional entity.

## **II. DEVELOPMENT OF A DURABLE, BALANCED REGIONAL GOVERNANCE PROPOSAL IS CRITICAL AND REQUIRES SUFFICIENT TIME AND OPPORTUNITY FOR STAKEHOLDER ENGAGEMENT**

High-level concepts for the governance of a more-regional entity were discussed at the May 6 workshop. Refinement of those high-level concepts into a detailed, workable and acceptable framework for the governance of an expanded CAISO will take time and significant effort. CLECA very much appreciates the May 6 workshop statement by Chair Weisenmiller that if “we need more time to bake this, we can have it.” In CLECA’s view, it will likely take at least until the end of this year to sufficiently “bake” the governance proposal from the current high level concepts into a workable, detailed proposal with sufficiently durable protections for the varied state and stakeholder interests; it may possibly take into next year.

At this conceptual stage, Commissioner Florio’s “Articles of Confederation” approach seems to be gaining broad support. The first and novel idea under this approach, that the power of the independent board of technical experts would be circumscribed by explicit limits, is appealing. Commissioner Florio suggests a ban on a centralized capacity market as an example of a limit that could be included; CLECA would support an explicit ban on the institution of a centralized capacity market by an expanded, more regional ISO in that entity’s charter documents, as well as other possible limitations. Under this option, the technical board’s jurisdiction or control could be expressly limited in the bylaws or charter to operational matters, with policy matters

reserved for the individual states. It may be difficult to discern between “operational” and “policy” matters, and stakeholders may disagree, but an effort should be made to develop an initial list of what would be operational versus policy or at least distinguishing characteristics. CLECA supports the concept of including explicit limits in the charter documents, while recognizing that the development of specific language and the limits themselves will take time.

The second concept under this “Articles of Confederation” approach relies on a structure similar to those in existing, multi-state RTOs/ISOs, where governing responsibility is shared between an independent board and a committee of regional states. The use by MISO and SPP of regional state committees includes section 205 filing rights for those committees, which is also appealing, as is the proposal for committees to have to vote to approve a proposal before it goes to the technical, independent board. It is not clear if the “voting” committees under consideration now are just the regional states committee. CLECA would support use of more voting committees encompassing other stakeholder committees, such as an end-user committee. The voices of various stakeholders, including large industrial ratepayers who will bear a significant portion of the costs in rates, must be heard. CLECA looks forward to greater detail on how such stakeholders could participate.

FERC has jurisdiction over wholesale markets, wholesale rates and transmission access and states have jurisdiction over retail markets, retail rates and transmission siting and power plant siting. Concern over the tension between federal and state jurisdiction has focused thus far on California’s renewable energy programs and goals. California’s loading order of preferred resources, however, begins with energy efficiency

and demand response; storage is also becoming a key focus for energy policy.

California is developing rules and regulations around these distributed energy resources and is encouraging more and more engagement by DER in wholesale markets; this may need to also be considered. How will California's envisioned distribution marketplace "play" alongside or even within an expanded, more regional entity' markets?

The distinct policies of California, Idaho, Oregon, Utah, Washington and Wyoming on resource planning and procurement may theoretically remain intact under the "Articles of Confederation" approach, with no one state able to invalidate the policy of another. Because several of the states are starting with diametrically-opposite policies, this should give the individual states some degree of comfort, and CLECA supports the concept in theory. Far more detail must be developed, however.

### **III. CONCLUSION**

CLECA appreciates the opportunity to continue to engage in the processes and forums associated with the CAISO's regionalization efforts and looks forward to reviewing a more developed and detailed proposal on regional governance. There is significant risk to regional expansion if not done right; spending the time and expending the effort needed to first get the governance right, and then the market structures right, is warranted.

CLECA also looks forward to participating in next week's workshops on the results of the analysis of the potential benefits and costs of regionalization. Substantiation and analysis must underpin broad statements about improved market economies, operational efficiencies and carbon emissions reductions from an expanded, more regional CAISO.

Respectfully submitted,



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