

DOCKETED

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Dr. Laura Nelson Comments: Utah Comments on Western RTO Governance

Additional submitted attachment is included below.



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Office of the Governor

CODY B. STEWART
Energy Advisor

DR. LAURA NELSON, Ph.D.
Executive Director, Office of Energy Development

May 20, 2016

California Energy Commission

Re: Docket #: 16-RGO-01 (Regional Grid Operator and Governance)

Utah recognizes the potential for benefits to be realized through participation in a Regional Transmission Organization (RTO). Some of these potential benefits, (as highlighted in the October 2015 *Regional Coordination in the West* benefits study), include increased access to reduced-cost generation, diversification of generation type, and increased reliability through geographical diversity. Nevertheless, these are only potential benefits. Utah will need to be confident that those benefits are real, sustainable, and exceeding any accompanying costs before being able to support integration into a larger RTO, no matter how well-crafted a new governance structure may be.

Participation in an expanded ISO may result in many changes, including:

- Potential changes in utility cost allocation;
- Changes in regulatory authority over approving new transmission assets away from state authority;
- Limitations on state regulatory authority over utility cost recovery and rates.

Utah understands that many of these issues must be addressed prior to each state making a final determination on whether regional transmission operations are in the best interest of its citizens. However, consensus on any of the multitude of technical considerations will be fleeting in the absence of a satisfactory governance system that preserves agreements. The importance of governance was highlighted in a March 3 letter from Governor Gary R. Herbert to Governor Edmund G. Brown Jr., (attached). As Governor Herbert stated,

“[...] I encourage you and your agencies to prioritize appropriate governance above all other considerations.”



Specific governance issues raised within Utah include the following.

- The existing CAISO structure should be evaluated to address governance issues embedded throughout the current organization.
- There should be processes to retain each state's traditional authority over retail rates, resource mix, resource planning, granting Certificates of Public Convenience and Necessity, and other specific functions. Some of these could conflict with the type of open markets FERC rules contemplate.
- California and the CAISO should recognize the potential role that Utah's Governor, Legislature, and regulatory bodies would play in the approval of any governance system.
- A western RTO should provide the option of free exit for participating transmission owners.
- A new governance structure should include appropriate limitations on the ability of the legislature of California, (or any other participating state), to unilaterally modify the governance system or control its operation.
- It may be beneficial to preclude specific elements, (e.g., a capacity market), from a new RTO.
- A voting scheme may recognize the legitimately greater voice of larger participants, but must not inordinately disempower smaller participants.
- Establishing a western RTO may require a transition process from the current ISO, (e.g., from a board of political appointees to a board of non-political appointees).

As part of Utah's ongoing engagement with other states, and with the CAISO, Utah submitted formal comments on the February 10, 2016 Transmission Access Charges (TAC) Straw Proposal and March 9 Benefits Assessment Methodology Workshop. A portion of those comments, submitted on March 23, 2016, are recapitulated below.

- Utah does not oppose the proposed definitions of "existing facilities" and "new facilities." However, Utah recognizes and is concerned that the definitions are inherently ambiguous and incomplete.
- Utah generally supports the allocations of Transmission Revenue Requirements (TRRs) of each sub-region's existing facilities to that sub-region. Utah is opposed to allocating any portion of the TRR of existing facilities to other sub-regions.
- Utah generally supports the concept of allocating costs based on benefits received so long as those benefits are quantifiable, verifiable and cost-of-service based. However, without additional detail, including the role of Utah in future decision making, Utah cannot adequately evaluate the impact of this approach on its customers and other state interests.
- Although Utah is not opposed to using power flow analysis for assessing reliability projects and production cost modeling for economic project types, costs for policy-driven projects must be allocated directly to the state or sub-region that enacts the policy (or causes the cost).



Utah recognizes that all aspects of the proposed western RTO continue to evolve, including governance, TAC, and Resource Adequacy (RA). New straw proposals on TAC and RA are expected very soon. We anticipate that Utah will file various additional formal comments, but resolving governance issues will remain the underlying imperative. Thus, at any point in the process Utah might need to revisit TAC and RA proposals for adjustment to accommodate other factors.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura Nelson", written on a light gray rectangular background.

Dr. Laura Nelson

