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Western Power Trading Forum Comments on May 6 RSO Governance Workshop

Please see WPTF Comment File uploaded

Additional submitted attachment is included below.

Comments of the Western Power Trading Forum on Regional Governance Issues

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The Western Power Trading Forum (WPTF) appreciates the opportunity to submit these comments following the workshop sponsored by the California Energy Commission (CEC) and the Governor's office on Regional Governance issues on May 6, 2017.

WPTF is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports development of competitive markets throughout the West and of uniform rules to facilitate transactions among market participants. The membership of WPTF includes energy service providers, scheduling coordinators, generators, power marketers, financial institutions, energy consultants, and public utilities, all of which participate actively in the California market and other such markets in the West and across the country.

WPTF appreciates the state's interest in exploring regional governance structures to attract the participation of PacifiCorp as a Participating Transmission Owner (PTO), and to generally be attractive to other state's jurisdiction. We offer comments in several areas below.

WPTF Agrees that the Governance Structure Will Need to be accommodate the Interests of Member States

Commissioner Florio commented at the workshop and has commented in other venues following his discussions with other state commissions that the PacifiCorp states will not find it attractive to join a Regional System Operator (RSO) in which California will continue to act like the 1000 pound gorilla. WPTF is supportive of finding structures that balance the interests of all the states and provides them a voice or forum in the direction of the organization. In particular, we believe that including states' interests early and effectively in the process will serve to facilitate resolution of RSO matters.

Further, the diversity of participants and system topology in the RSO will likely require revisions to the CAISO market design and the adoption of best-practices in Market Design from other multi-state ISO/RTOs in North America. WPTF, with its membership reaching beyond California and into the balance of the Western markets, recognizes that a geographically diverse RSO board would better support such changes for any sub-committees, market monitoring, and market surveillance committee activities.

WPTF Generally Agrees that the Model used in the Southwest Power Pool and in the MISO Warrants Additional Consideration

While WPTF has not formulated an ultimate position on the optimal governance design, a structure such as the Southwest Power Pool's (SPP's) Regional State Committee or Midcontinent Independent System Operator's (MISO's) Organization of MISO States, in conjunction with a parallel RSO board may provide the right mix of governance on issues of particular concern to the states versus issues that the RSO would more appropriately oversee.

WPTF Believes it Important to Find a Good Balance Between State Oversight and RSO FERC-Related Oversight

Focus was given at the workshop regarding ways in which to protect the states from ceding control to the RSO organization. WPTF appreciates these concerns and understand issues related to state control are likely important for new states considering the merits of approving, for example, PacifiCorp's joining as a PTO. However WPTF also wants to offer a balancing position. The CAISO structure offers the potential of benefits through its organized market, offers benefits of system-wide dispatch and commitment processed, and offers the potential to organize the new products that are needed to integrate a large amount of renewable production throughout the west. Such products and services would not be possible without the processes, procedures and protections offered through the Federal Power Act (FPA). FERC oversees this market and interstate commerce. The RSO governance structure should not degrade the effectiveness of the RSO at fulfilling its key roles under the FPA. WPTF believes parties should work toward a structure that recognizes the benefits both of state control for certain matters and also the beneficial products and services performed by RSO at the FPA level. WPTF encourages the goal of achieving both efficient collaboration on wholesale FPA matters, and state-level decision making on state-related issues rather than seeing these goals as competing with one another.

Similarly, parties must recognize that there are many types of CAISO and future RSO participants and many stakeholders

The CAISO works well because there are a lot of diverse players, and this diversity brings a robustness to the market. WPTF encourages a design that recognizes that diversity between PUC-regulated participants, load-serving entities that are not PUC regulated, regulated producers/sellers and many unregulated sellers, and third parties who provide the necessary intermediary services, for example. All of these stakeholder sets are customers of RSO, and the governance structure should be sensitive to the fact that the RSO does not just oversee PUC-regulated utilities.

WPTF is not advocating for a complex and formalized stakeholder committee structure

The CAISO's process is challenging for stakeholders, but not because there is a lack of a formal stakeholder committee structure. The CAISO's stakeholder process is complex more because of the rate of change of the market place. WPTF agrees with the comments of Commissioner (WUTC) Ann Rendahl with respect to making the process workable for organizations that have limited staffs. Whereas WPTF does not suggest a structure that includes many formal stakeholder committees that have complex voting structures. WPTF would be open to further discussions as to whether an advisory board structure may be workable in a regional context.

A Transition Proposal Seems Warranted

A couple different transitional models were discussed at the CEC's workshop, including very detailed structures offered by Commissioner Binz. WPTF can envision that a transition mechanism will be needed, and it seems rational to design one that recognizes the starting point (a CA-appointed board) and transitions to a structure with more broad representation. WPTF agrees with those who participated in the Energy Imbalance Market (EIM) Transitional Committee, including Dede Hapner and Mark Smith, who seemed to suggest at the workshop the merits of capturing a straw proposal soon to provide something for further discussion.

More Exploration is Warranted Before Adopting a Non-Profit Funding Mechanism

WPTF is open to further consideration of a funding mechanism for non-profit activities such as that discussed by Commissioner Binz at the workshop. WPTF is not yet convinced it is appropriate or non-discriminatory to create such funding mechanisms, as many WPTF themselves feel at times as if they existing on a “shoe string” budget that prohibits desired research, analysis and advocacy. WPTF is therefore cautious of creating such a funding mechanism that may simply raise the overhead of the RTO and create either little value or adversity for the stakeholders who make up WPTF.