

DOCKETED

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Comment Received From: Dennis Peters

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California ISO comments: Regional Grid Operator and Governance workshop

Additional submitted attachment is included below.

May 20, 2016

Robert B. Weisenmiller, Chair
California Energy Commission
Dockets Unit
Re: Docket No. 16-RGO-01
1516 Ninth Street, MS 4
Sacramento, CA 95814-5512

Re: Regional Grid Operation and Governance Workshop

Dear Chair Weisenmiller:

The ISO appreciates the public workshop that the Energy Commission held about regional ISO governance on May 6, 2016. This forum offered an opportunity for interested parties to hear from several leading experts in energy policy and regulation, and also from a panel of stakeholders representing a variety of energy industry sectors on their reactions to the concepts in the papers presented.

The ISO is interested in finding workable governance structure for a regional ISO that is broadly acceptable to western stakeholders, and consistent with applicable legal requirements. The ISO believes that further public discussion of regional governance is essential for developing a workable solution that will enjoy broad support. The ISO is pleased to be a part of these discussions and to be able assist in the discussion by offering its perspective based on its own experience with these issues.

Background on SB 350

The Clean Energy and Pollution Reduction Act, or Senate Bill 350, establishes California's goal of reaching a 50-percent renewable portfolio standard by 2030 and also sets out a plan for the transformation of the ISO into a regional organization. The law requires a set of independent studies about the impact of a regional energy market in the following areas:

- Job creation and retention, along with other economic impacts to California
- Environmental impacts to California and elsewhere
- Effects on disadvantaged communities
- Emissions of greenhouse gases and other air pollutants
- Grid reliability and integration of renewable energy

Senate Bill 350 also laid out a process for modifying the ISO's governance structure to allow other states fair representation in oversight of the ISO. That process has included conversations between leaders of western states' energy policy and regulatory bodies, and a public workshop lead by the California Energy Commission on May 6. While it is still in development, a governance model then needs to be brought to a workshop held jointly by the CPUC, CEC and CARB.

ISO comments on principles addressed in the papers and legal requirements

The ISO believes that a regional grid operator would bring significant mutual benefits for all participants. A regional market will help California attain its goals for carbon reduction as well as cost-effective renewable energy development, while at the same time creating economic and environmental benefits throughout the region.

The ISO is providing these comments in Docket 2016-RGO-1 in support of many of the principles laid out in papers presented on May 6. The comments are, based on the ISO's experience administering our current governance structure, implementing the governance modifications that created the EIM Governing Body and related elements, and insights we have received from the other ISO and RTOs around the nation, which have discussed their governance with us.

The ISO believes the following principles, which were advanced in papers presented on May 6, are important to a successful and effective governance structure.

1. Protection of State and Local Authority to Direct Procurement Policy

There is a widespread desire to ensure that a regional ISO preserves, protects and facilitates the ability of state and local policy makers to direct procurement policy to the same extent they are able to do so today. To date, the key to preserving state and local authority has been the absence of a mandatory capacity market. To ensure that the status quo does not change without concurrence from the states, a regional governance proposal should include a mechanism that would prevent the ISO from proposing a mandatory capacity market without approval from state within the regional market.

2. Additional Policy Role for State Regulators on areas of State Interest, such as Regional Cost Allocation Issues

There is also a desire that state regulators collectively should have authority over certain policies. The ISO agrees that, in addition to each state retaining authority to direct procurement policy, there should be a body of state regulators with primary authority to set policy on certain matters of State interest, such as regional cost allocation for transmission and policy-driven transmission expansion, similar to the Regional State Committee of the Southwest Power Pool. This body could be an independent, separately incorporated nonprofit entity.

3. Composition of the ISO Board

The papers envision a transition over time from the ISO's current board selection process – possibly enhanced with appointees from other states – to a board that does not include political appointees. The ISO supports an organized transition process, and believes that board members could ultimately be selected through a nomination and appointment process that is designed to reach consensus among stakeholders, stakeholder classes and public officials from each state within the ISO's regional footprint. A good starting point for developing a model may be the selection process that is used for the EIM Governing Body.

4. Continuation of EIM

The ISO's Energy Imbalance Market should remain a durable market opportunity for Western balancing authorities that have not decided to join as transmission owners. Any regional governance structure should ensure that this option is preserved and account for it.

The ISO notes that any governance proposal will need to comply with certain FERC requirements, which include

- Independence - board members must be financially independent of market participants;
- Responsiveness - the overall governance structure must be responsive to stakeholder concerns, as detailed in FERC Order No. 719; and
- Arrangements to share Section 205 rights may require approval from FERC.

Accordingly, depending on the details of the final proposal, the ISO may need to seek FERC's approval of certain aspects.

In addition, the ISO may need to seek approval from the IRS, because the ISO's current governance structure is a factor in our tax-exempt status.

Conclusion

The ISO appreciates the opportunity to comment, and looks forward to assisting as stakeholders, state and local officials continue to work toward a regional governance proposal.

Sincerely,

A handwritten signature in black ink that reads "Stacey Crowley". The signature is written in a cursive, flowing style.

Stacey Crowley
Vice President, Regional and Federal Affairs