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PG&E Comments -- Regional Grid Operator and Governance

Additional submitted attachment is included below.

May 20, 2016

**POSTED ELECTRONICALLY TO
DOCKET 16-RGO-01**California Energy Commission
Dockets Office, MS-4
Docket No. 16-RGO-01
1516 Ninth Street
Sacramento, CA 95814-5512Re: Docket 16-RGO-01: Pacific Gas and Electric Company Comments on the May 6, 2016 Regional
Grid Operator and Governance Workshop

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to comment on the Regional Grid Operator and Governance Workshop (16-RGO-01), convened May 6th and hosted jointly by the California Energy Commission (CEC) and the Governor's office. PG&E supports this coordinated effort to engage with the many interested parties, both within and beyond the current boundaries of the California Independent System Operator (CAISO), and to address key threshold issues of governance that are invoked by the proposed regional ISO expansion. PG&E believes that the benefits of expansion are more likely to be achieved when prospective participants, state regulators in new member states, and all other affected parties are included in the conversation, and we welcome this opportunity to work together and build trust as a regional stakeholder community.

PG&E believes a necessary next step is that a Governance Straw Proposal be crafted as a starting point for all interested stakeholders to provide feedback and input. Any straw proposal should represent the important governance principles laid out in the Workshop and should seek to incorporate the views of the states in the Western region that are potential members of an expanded ISO. Ideally, a working group of state regulators from across the region would guide the initial drafting of a straw proposal and suggest an appropriate schedule and forum for a collaborative regional stakeholder process. PG&E looks forward to participating actively in any such process and contributing to the development of a workable regional governance solution that can then be adopted by each prospective member state (including California).

The substantive discussion during the workshop of specific potential governance structures represented a great deal of effort and creativity. Importantly, the papers and discussions offered lessons from existing multi-state ISO/RTO models, for example, with regard to the participation of state regulators in a formal or advisory committee, the voting structure for members, and the composition of the Board of Governors. Whenever possible we believe the

governance structure should favor simplicity and accountability, as well as provide the flexibility to grow over time to accommodate additional member states that may choose to join. To that end, we do not think that a straw proposal should unduly limit the authority of the new governance structure, by, for example, placing explicit policy provisions in its bylaws. There will be ample time to address additional issues after the adoption of a governance framework and, as we know from other RTOs, it is difficult to predict issues that may arise in the future. At this juncture, it is important to demonstrate independence and resiliency that will be meaningful to keep the discussion going.

Among other specific issues raised during the workshop was a suggestion that the benefits of regional expansion can be achieved more readily by continuing the evolution and expansion of the CAISO's regional Energy Imbalance Market (EIM). PG&E has supported and continues to support the EIM, and believes its further development can go hand in hand with the operation of a larger regional ISO. However, it is important to also recognize the limitations of EIM as a construct. EIM allows for real-time transactions between CAISO and adjacent Balancing Area Authorities (BAAs) which adjust the dispatch in real-time markets to manage small deviations in load and generator output. Importantly, EIM does not address the planning and cost recovery of transmission capacity or reduce the burden on each BAA to separately carry reserves, and it does not capture potential benefits associated with load and resource diversity of the separate BAAs in the day-ahead commitment processes.

New information about market, system and other benefits is forthcoming in the studies commissioned by the CAISO and there will be numerous public opportunities to review and critique those analyses. But governance is a critical threshold issue that has no clear institutional residence. That is why PG&E believes a multi-state regulatory panel is the appropriate incubator for an initial governance proposal; we hope the leadership exhibited at the May 6 workshop can continue to provide the time and resources to move the discussion forward.

Sincerely,

/s/

Matt Lecar