

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	211593
Document Title:	Damon Franz Comments: Comments on ISO Governance Issues in Response to May 6 Workshop
Description:	N/A
Filer:	System
Organization:	Damon Franz
Submitter Role:	Public
Submission Date:	5/20/2016 5:02:29 PM
Docketed Date:	5/20/2016

Comment Received From: Damon Franz

Submitted On: 5/20/2016

Docket Number: 16-RGO-01

Comments on ISO Governance Issues in Response to May 6 Workshop

Additional submitted attachment is included below.



May 20, 2016

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

RE: CAISO Regionalization Governance Issues
Dear Chair Weisenmiller,

SolarCity respectfully submits the following comments on regional grid operator governance issues in response to the May 6, 2016 workshop.

Background

SolarCity is a full service solar power provider for homeowners and businesses – a single source for engineering, design, installation, monitoring, and support. As of March 31, 2016, the company had more than 6,000 California employees, based at more than 40 facilities around the state and had installed solar energy systems for over 260,000 customers nationwide..

In addition to rooftop solar, SolarCity develops and deploys other non-solar distributed energy resources (DER) for both residential and commercial applications. Specifically, SolarCity offers smart thermostats, smart electric water heaters, and battery energy storage systems to help customers manage their energy use. Accordingly, SolarCity has a strong interest deploying technologies that help reduce the state's greenhouse gas (GHG) emissions and meet its climate and clean energy goals.

General Comments on Regionalization

As an active participant in California's energy and climate policies, SolarCity understands the rationale and motivation for consideration of expanding the California Independent System Operator (CAISO) into a regional organization. Nevertheless, we are concerned that expanding the ISO footprint into regions with unreliable or antagonistic policies toward clean energy and distributed energy resources (DERs) could hinder California's ability to achieve its long-term climate goals.

First, opening the ISO to political jurisdictions with inconsistent or unstable policies on distributed generation (DG) and other DERs will confound implementation of FERC Order 1000, which requires regional planning on an annual basis to determine transmission needs. Such regional planning is not possible in a regional organization that includes states where policy around DG is highly uncertain and subject to abrupt and drastic change. SolarCity is concerned that without some assurance from other jurisdictions that DG policy will be predictable for planning purposes, resource planning in a regional ISO will be unworkable.

Moreover, SolarCity is concerned that potential governance and operational changes accompanying a regional grid operator could hinder California's ability to transform its electric grid in the ways necessary to truly achieve its 2050 greenhouse gas goals.

SolarCity believes that as customer-sited distributed energy technologies continue to improve in cost and functionality, and as customers adopt these technologies in increasing numbers, an electric grid built



around distributed generation will be a less expensive and more reliable way to meet the state's clean energy goals compared with transmission-heavy approaches, and with fewer impacts to land, water and wildlife habitat. While transmission-sited resources may have a lower cost per kWh, distributed resources offer far more benefits, such as avoided transmission and distribution system capacity, power quality and voltage control on the distribution system, local, flexible and system generation capacity, avoided line losses, improved resiliency and other benefits that accrue by virtue of being sited close to load.¹

In order to achieve this vision, however, a number of changes must be made to wholesale electricity markets that were largely designed and built around large, centrally-sited fossil generators. SolarCity has been working closely with CAISO to make the changes necessary to allow distributed behind-the-meter resources provide services that have traditionally been provided by large fossil generators. Through proceedings like CAISO's Energy Storage and Distributed Energy Resources Stakeholder (ESDER) Initiative, we have been making progress creating a more decentralized clean energy grid.

SolarCity is concerned that our continued progress in this area depends on having ISO staff and board of directors that are committed to California's ambitious vision for clean energy and distributed resources. Because the ISO board is responsible for the actions of staff and ultimately votes to approve new tariffs before they are sent to the Federal Energy Regulatory Commission (FERC), a board that is hostile or indifferent to distributed clean energy resources could hinder our continued efforts at grid transformation.

For that reason, we are greatly concerned about a regional ISO that would cede control over the governing body to representatives from states like Nevada and Arizona that have been hostile to distributed energy resources, and ones like Utah and Wyoming that have sued the federal government to overturn the Clean Power Plan. While it isn't clear that it is possible to structure the board of a regional ISO in a way that wouldn't weaken California's ability to play a leading role in integrating distributed energy resources (DERs) into wholesale markets, SolarCity offers the following suggestions on governance.

Recommendations for Regional ISO Governance

- **The ISO Board Should be Independent:** SolarCity agrees with the view expressed by Commissioner Florio and others at the May 6 workshop that the board of governors of any regional ISO should be independent, meaning that they do not have a financial interest in the outcome of CAISO decisions or markets. SolarCity is not opposed to a market or member advisory committee of the type recommended by the publicly owned utilities (POUs), but if such a committee is established, representatives of companies providing distributed energy resources should be provided representation on the Committee.
- **Representation Should Be Proportional to Population:** Because the ISO makes decisions about electricity markets that ultimately affect individual customers in the states under ISO control, it makes sense to apportion representation to the ISO board of directors based on the population of the states in an expanded ISO. SolarCity does not support apportioning representation on the basis of load (as recommended in the Hewlett Foundation sunset provision)², since this would effectively punish California for its commendable efforts to promote energy efficiency and demand-side management.
- **Governance Should not Create Barriers to Entry:** SolarCity is not opposed to the use of a nominating committee to identify potential board members, but we note that the composition of a

¹ The benefits of DERs are described in more detail in a peer-reviewed SolarCity whitepaper, "A Pathway to the Distributed Grid," available at: http://www.solarcity.com/sites/default/files/SolarCity_Distributed_Grid-021016.pdf

² *Considerations in Establishing a Western Regional System Operator*, Hewlett Foundation, p.8.



nominating committee and the process by which members are selected is of critical importance. If the nominating committee is comprised of market participants, composition of the board may favor incumbent market players – such as merchant generators and utilities – over emerging market players that do not currently participate in ISO markets but may wish to in the future, such as demand response, distributed storage and other DER providers. In designing the means by which board members will be selected, the California Legislature should be careful to ensure that it does not create undue barriers to entry for future market players.

Conclusion

SolarCity appreciates the opportunity to offer comments on this important issue. We are aware of the challenges California faces in meeting its ambitious clean energy and climate goals, and we understand the perceived benefits of a regional ISO in helping to meet those goals. At the same time, we wish to point out that SolarCity and other companies are diligently working on new products and services aimed at solving the very problems an expanded ISO seeks to address,. We hope that any steps to expand the California ISO will not come at the expense of nascent wholesale energy market reforms that are needed to maximize the value of those products and services to all electric ratepayers.

Respectfully submitted,

Damon Franz
Director, Policy and Electricity Markets
SolarCity