

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	211881
Document Title:	Imperial Irrigation District Comments: FOLLOWING JUNE 16, 2016 REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP
Description:	N/A
Filer:	System
Organization:	Imperial Irrigation District
Submitter Role:	Public
Submission Date:	6/20/2016 11:52:21 AM
Docketed Date:	6/20/2016

Comment Received From: Imperial Irrigation District

Submitted On: 6/20/2016

Docket Number: 16-RGO-01

FOLLOWING JUNE 16, 2016 REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP

Additional submitted attachment is included below.

CALIFORNIA ENERGY COMMISSION

In the matter of:

Docket No. 16-RGO-01

**REGIONAL GRID OPERATOR
AND GOVERNANCE**

**IMPERIAL IRRIGATION DISTRICT'S COMMENTS
FOLLOWING JUNE 16, 2016
REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP**

Michael J. Aguirre, Esq.
maguirre@amslawyers.com
Maria C. Severson, Esq.
mseverson@amslawyers.com
AGUIRRE & SEVERSON, LLP
501 West Broadway, Suite 1050
San Diego, CA 92101
Telephone: (619) 876-5364
Attorneys for Imperial Irrigation District

Submitted June 19, 2016

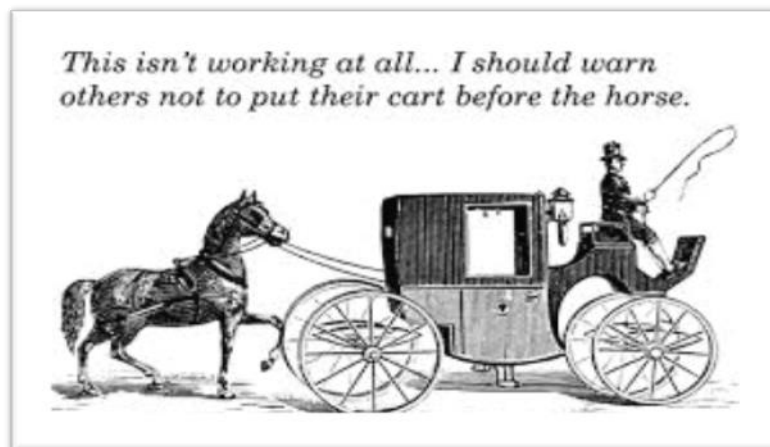
I. CART BEFORE THE HORSE

The basic problem with the Berkshire Hathaway Energy Company's (BHE) proposal to cede governance of the California transmission grid to private corporations is the lack of objective study. These comments outline what a report evaluating the proposal should look like.

An objective analysis would start with the question of whether the current system of appointing the California Independent System Operator (ISO) board is working. Today, the ISO governing board "shall be composed of a five-member independent governing board of directors appointed by the Governor and subject to confirmation by the Senate." Cal Pub. Util. Code § 337(a).

California is being told it must cede control of the ISO board to private utility corporations in order to make BHE's plan to expand the ISO into a six-state Western Regional System Operator acceptable to the other five states. This message is delivered by both ISO management and BHE to the public.

An objective report would start with the more fundamental question of whether a Western Regional System Operator is right for California. If not, there is no need to grapple with who should select the ISO board. In other words, the ISO and BH's approach puts the cart before the horse:



In determining whether to expand and transform the California ISO, we should examine how well, or how poorly, it is achieving its statutory goals. First, the ISO is required to be a nonprofit, public benefit corporation. It is required to operate consistent with the interests of the people of California. ISO is to ensure the reliability of electric service and related energy markets. ISO is supposed to make the most efficient use of available energy resources, reduce costs charged to the state's consumers, protect public health and the environment, and comply with open meeting and public record laws.

In its first round of comments before the 16 June 2016 “Grid Operator and Governance” workshop, the Imperial Irrigation District (IID) argued that the ISO is not performing its assigned tasks at an optimum level. Electricity prices are high and variable. In 2012, total wholesale price was \$8 billion; in 2014, it was \$12 billion; and in 2015, it was \$8 billion. There is a history of the ISO market traders using market power to set prices. Early on, these market trading abuses were given names like “death star,” “ricochet” and “fat boy.” One ISO trader used his market manipulation know-how to obtain jobs at JP Morgan where he engaged in widespread market manipulation involving the ISO. The ISO was unable to obtain market-based price authority for its Energy Imbalance Market (EIM) because it failed to pass the Federal Energy Regulatory Agency (FERC) market power test¹ used to determine whether prices are set by the exercise of market power.

While ISO proclaims it favors renewable energy, IID’s experience shows the opposite is true. After the San Onofre Nuclear Generating plant failed and there was a need to replace at least some of its lost power, the ISO blocked geothermal power from the Imperial Valley because it would be wheeled to an ISO

¹ <http://www.ferc.gov/CalendarFiles/20140422082241-Staff%20Presentation.pdf>

intertie over IID power lines. Why does the ISO argue for the expanded grid to reach outside California over a thousand miles to wind power in Wyoming when it refuses to allow geothermal excess from Imperial over power lines that already exist?

II. RELEVANT VITAL STATISTICS

The ISO is industry-dominated: three utilities (PG&E, SCE and SDG&E) account for more than 50 percent of the load processed through the ISO. PG&E provides electricity to 18,000,000 customers in a 70,000-square-mile service area in northern California with 15,616 miles of transmission lines. PacifiCorp provides electricity to 1,800,000 customers in a 143,000-square-mile service territory in Oregon, California, Washington, Idaho, Utah, and Wyoming with 16,000 miles of transmission lines. Southern California Edison (SCE) serves 14,000,000 customers over a 50,000-square-mile service territory. San Diego Gas & Electric (SDG&E) provides electricity to 1,400,000 customers with a 4,100-square-mile territory.

. In 2016 SCE, PG&E and SDG&E's transmission revenue requirements (TRR) recovered through the ISO's transmission access charge (TAC) were \$1.9 billion:

Company	Customers	Transmission Miles	Filed Annual TRR	Territory Miles
SCE	14,000,000	12,782	\$1,004,417,227	50,000
PG&E	18,000,000	15,616	\$461,933,843	70,000
SDG&E	1,400,000	1,920	\$494,024,578	4,100
Subtotal	33,400,000	30,318	\$1,960,375,648	124,100
PacifiCorp	1,800,000	16,000	???	143,000
Total	35,200,000	46,318	???	267,100

III. BUFFET'S \$26 BILLION POWER BET IN WEST SEEN PAYING OFF

The impetus for the ISO privatization and expansion plan has mainly to do with the BHE investment gamble on monopolizing the Western electricity market. BHE is highly motivated to take an expanded ISO private because the company has gambled over \$26 billion on its plan to monopolize the Western electricity market. Bloomberg News Service reported that BHE spent \$10.7 billion in the western states to acquire PacifiCorp and NV Energy, \$8.7 billion in renewable investments, a \$6-billion Northwest transmission project, and at least \$568 million on the Lake Side natural gas-fired power plant being completed this year in Utah. Expanding and privatizing the ISO Western electricity market is critical to a payoff on BHE's \$26 billion bet on western U.S. power plants, transmission lines and wind farms.

IV. BERKSHIRE HATHAWAY ENERGY: "DO NOT TREAD ON ME"



BHE is the motive force driving California officials to privatize the ISO. But, not so fast: California should first relinquish control over its electricity grid. BHE can then use California's abdication to persuade officials in Utah, Wyoming, Oregon, Washington, and Idaho. California cannot use the ISO to trample on the other states' greenhouse policy decisions.

Two of the five states, Utah and Wyoming, have sued President Obama to block the Environmental Protection Agency's (EPA) Clean Power Plan, asking the court to set it aside. The Clean Power Plan sets carbon dioxide (CO₂) emission performance rates for two subcategories of fossil fuel-fired electric generating units (EGUs): (1) Fossil fuel-fired electric steam generating units (generally, coal- and oil-fired power plants); and (2) Natural gas-fired combined cycle generating

units. Those emission rate goals are significantly below California's goal of 50 percent renewables by the year 2030.

Under the EPA's Clean Power Plan, states have two approaches for meeting the EPA standards: mass-based or rate-based. Under the mass-based option, a cap is placed on the amount of CO₂ allowed, regardless of the amount of energy produced. Under the rate-based approach, the state goal is expressed as a number of pounds of CO₂ per megawatt hour of generation from covered plants. As long as the covered plants produce electricity at or below the prescribed rate—after adjusting for energy efficiency, renewables and other allowed credit—the state goal is achieved.

Under the mass-based approach, a state's goal is expressed as a maximum number of tons of carbon dioxide that may be emitted by covered plants **for a specified time period**. As long as the covered plants emit at or less than that number, the state goal is achieved for that time period.

All state goals fall in a range between 771 pounds per megawatt-hour (for states with natural gas fired plants) and 1,305 pounds per megawatt-hour (for states with coal/oil plants). Utah's 2030 goal of 1,179 pounds per megawatt-hour falls in the middle of this range. Wyoming's 2030 goal of 1,299 per megawatt hour is on the high end of the range. While Idaho did not sue the EPA, its governor, C.L. "Butch" Otter, does not support enacting environmental regulations aimed at reducing the effects of climate change.

Giving up control of the ISO will help assure Wyoming and Utah that California will not attempt to impose its renewable energy goals, according to Jonathan Weisgall, vice president, Legislative & Regulatory Affairs at BHE. On 16 June 2016, Weisgall told the CEC Workshop audience that California should not "trample" on the decisions of other states to avoid greenhouse emission reduction goals.

V. NO TRUE COST BENEFIT

It is not exactly clear what California would get in return for giving up its control of the ISO as a true cost analysis benefit has not been performed. The public relations release paid for and released by PacifiCorp and the ISO projecting a cornucopia of benefits is simply not credible. The fact that PacifiCorp and the ISO markets for EIM and PacifiCorp's balancing areas have not passed FERC market power screening raises the specter of the ISO's mass expansion leading to more electricity price schizophrenia.

The proposal also threatens to return control of the grid to the utilities. The ISO is already dominated by SCE and PG&E. Now, PacifiCorp, SCE and PG&E will dominate the governance of the new ISO. Indeed, SCE and PacifiCorp are already on the EIM board. The publicly owned utilities within the ISO footprint are not proposed to sit on the board; rather, they are proposed, as a sort of consolation prize, to appoint one individual to serve on a body of state regulators in a **non-voting, advisory capacity**.

The proposal will close the door on the goal of open access to the grid as promised with the **Open Access Same-Time Information System (OASIS)**. This Internet-based system for obtaining services related to electric power transmission in North America was created to be a primary means by which high-voltage transmission lines are reserved for moving wholesale quantities of electricity. Access was supposed to be open and nondiscriminatory, not privatized.

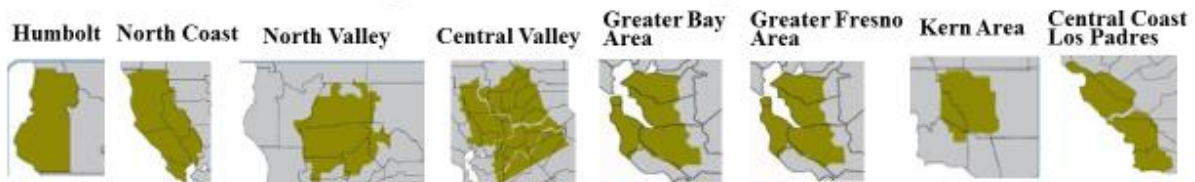
A. ISO Functions

The ISO carries out several functions: it maintains energy markets, manages the grid system for reliability and participates in long-term planning. At the very least, this consideration of the ISO expansion and privatization proposal has opened the door for other ISO reform. There is real need to bring the public more deeply into the long-term energy planning process, especially now that we are in

an energy transition moving from fossil fuel to renewable and sustainable resources.

The ISO develops its long term transmission planning into 15 territories, consisting of the following areas:

PGE Territory 8 Planning Areas



SCE Territory 6 Planning Areas



SDGE



16 May 2016 Grid Privatization Scheme

23

Local governments, other balancing authorities, community planning groups and the public should be drawn into the long-term transmission planning in their respective ISO territories. The ISO management has used its long-term planning energy and resources to empire-build, hence its expansion plan. Allowing greater participation of affected public agencies and communities will help speed California along the energy transition path to a renewable and sustainable energy system. We should request the Legislature establish a new mandate calling on the energy policymakers to develop and return with a legislative plan to decentralize and democratize the long-term transmission planning process

VI. CONSTRAINED DISCUSSION

The ISO, the California Energy Commission (CEC), and the California Public Utilities Commission (CPUC) have used the means of democratic

deliberation and public resources to force California to surrender its control of the ISO. The process was created to give the appearance -- but not the reality -- of openness and objectivity. The workshops are nothing more than artfully contrived public relations measures aimed at pushing the PacifiCorp and ISO agenda. There is no effort to include anyone who wants to present a point of view that contrasts with the ISO privatization group-think that has taken hold and dominates the deliberative proceedings.

Disrespect of the public has also been openly expressed by administrative officials. For example, officials have expressed disappointment that there are 38 balancing areas in the affected territory. Policymakers called this Balkanization. However, Balkanization is a pejorative geopolitical term, originally used to describe the process of fragmentation or division of a region or state into smaller regions or states that are often hostile or uncooperative with one another.

The IID has a proud history. It was formed as an official state irrigation district and evolved organically into a water and energy public agency. Its five board members are elected by the people of the territory it serves. The problem is not Balkanization; the problem is the ISO and private utility hegemony—political and economic predominance.

The governor, the CEC and the ISO promised in its workshop public notice to produce a draft of how the privatized ISO board will be selected. No such draft was presented. The public was told in the notice of the June 16th and 20th workshops that they would be allowed to comment on the draft. This was false. IID lawyers brought the omission of an ISO draft to the CEC counsel's attention, noting the workshop's deviation from both public notice and reality. No official corrected the omission. With the ISO's failure to produce the draft, a set of principles were circulated instead.

///

VII. CONCLUSION

The proposal to privatize and expand the ISO is fatally flawed and should be rejected. The justification for the plan has not been provided. The risk of price manipulation in an expanded, privately governed regional ISO is inordinately high. The process under which the plan is being considered is one-sided and lacks objectivity. Energy policy makers should recognize the need for greater public participation in the long-term planning process. The decision making should be organized around the 15 planning subgroups the ISO has identified. Local elected officials, community planning groups, and the public should be made official participants in this planning process.