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WPTF Comments on June 9, 2016 Regional Governance Proposed Principles

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 workshops sponsored by the California Energy Commission (CEC) and the Governor's office on Regional Governance issues on June 16 and June 20, 2016 and the Proposed Principles for Governance of a Regional ISO dated June 9, 2016.

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. 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.

The role of FERC should be clearly defined in the Principles for Regional ISO Governance

WPTF appreciates the concerns over the preservation of state authority and understand these issues are important for new states considering the merits of approving, for example, PacifiCorp's joining as a PTO. However protections of state authorities are able to exist within multi-state RTO/ISOs that are ultimately under FERC jurisdiction. A Regional State Operator (RSO) structure offers benefits through its organized market, system-wide dispatch and commitment processes, 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 governance structure should not degrade the effectiveness of the RSO at fulfilling its key roles under the FPA.

WPTF provides the following comments on the specific Principles and discussion at the workshop related to the role of FERC:

- As noted by Mark Smith during the June 16 workshop, the role of FERC in the governance documents is unclear. The Governance Principles should have an additional and separate section describing the principles for FERC's role in the RSO Bylaws and specific role FERC will serve in the eventual RSO. The current principles merely have a footnote on page 3 noting implementation of the new board may be subject to regulatory review by FERC.
- As noted by Chair Weisenmiller, the provision against the RSO proposing or endorsing any centralized capacity market is overly broad and may conflict with current FERC-approved market processes such as the ISO's ancillary service market or the Capacity Procurement Mechanism, which is the ISO's backstop capacity procurement mechanism. As the RSO evolves, it should be allowed to assess any and all proposals to improve market outcomes on their merits as they come forward, and should not have its future options limited by market design assumptions carried forward from the current California ISO. This is especially important given the RSO will be responsible for managing grid reliability during a period of significant change in the West, both in

terms of the physical characteristics of the system and in the makeup of its regulatory and market-participant stakeholder community.

More work is needed to define the Body of State Regulators role in the RSO governance structure

WPTF is supportive of finding structures that balance the interests of all the states rather than an unequal favoring of California. It is unclear whether the proposed principles for the Body of State Regulators is sufficiently appealing to other states outside of California.

WPTF provides the following comments on the specific Principles and discussion at the workshop related to the establishment of a Body of State Regulators:

- Section 7, bullet 6 of the Proposed Principles states that the Body of State Regulators will have voting rule that will require an affirmative vote by the majority of members and the majority by load. This is equivalent to a California veto clause. Below is a table showing the 2015 annual and peak load shares by state (from the PAC Integrated Resource Plan and CAISO 2015 annual report). WPTF understands the intent of the rule; however, given the loads in each state, does not support needing an affirmative vote by load

Table 1: Peak and Annual Load by State

STATE	PEAK (MWh)	ANNUAL (MWh)
CA	47,257	231,495,000
ID ¹	3,184	3,762,400
OR	4,073	15,055,940
UT	4,770	26,470,940
WA	731	4,546,380
WY	1,486	10,597,730

- WPTF supports the rule floated by Chair Weisenmiller during the June 16 workshop that would allow the RSO Board to move forward in the event the Body of State Regulators cannot vote in a timely manner or is in a stalemate.
- PG&E’s Dede Hapner described during the workshop the different between MISO/SPP’s structure and the proposed Governance Principles for the Body of State Regulators. Some of the differences seem very stark and should be further evaluated before the ISO issues the next draft. For example, Ms. Hapner noted that in MISO and SPP the regional committee has 205 filing rights and could file separately from the Board, but not stop Board action.
- It is unclear why the Body of State Regulators would be legally separate from the RSO. This legal independence is confusing, both as to the benefits of legal independence, and governance implications.

¹It is unclear how PAC counted BPA’s SE Idaho loads. The BPA SE-ID loads add 2,263,370 MWh to ID.

As described in WPTF's May 6 comments on Regional Governance:

- A transition proposal is warranted.
- WPTF is not advocating for a complex and formalized stakeholder committee structure.
- More exploration is needed before adopting a non-profit funding mechanism.