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Additional submitted attachment is included below.

**Powerex Comments on CAISO Proposed Principles
for Governance of a Regional ISO**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on the California Energy Commission's Regional Grid Operator and Governance Workshops held on June 16 and June 20, 2016. Discussion at the workshops focused on the California Independent System Operator Corp.'s ("CAISO") Proposed Principles for Governance of a Regional ISO (the "Regional Governance Proposal"), which sets out broad principles and an initial framework for governance of a regional ISO.

The Regional Governance Proposal places significant emphasis on preserving the authority of the states that lie within the expanded market footprint over certain matters viewed as being traditionally subject to state oversight and decision making, including resource planning and resource adequacy. For instance, CAISO's proposal states that the "new governance structure will include binding provisions to protect and preserve state authority over matters currently regulated by the states themselves, including procurement policy, resource planning and CPCN approvals for utilities within their jurisdiction, and resource or transmission siting within their state."¹ CAISO's proposal further suggests that the governing documents of a new regional market should include a "provision that prohibits the ISO from proposing or endorsing any centralized market for forward procurement of electric capacity products."² Additionally, CAISO proposes the establishment of a body of state regulators that would have primary authority over directing the policy of the regional ISO respecting transmission cost allocation and resource adequacy; approval by the body of state regulators would be a prerequisite for any Section 205 filing by the regional ISO related to matters within the primary authority of that body.³

Powerex does not object to adopting a regional governance model that recognizes the historical role of the individual Western states in resource planning and siting. However, the accommodation and recognition of state authority should not be pursued in a manner that inhibits the continued growth and development of efficient and non-discriminatory mechanisms for procurement of capacity products and services in the wholesale market. Instead, Powerex believes a key goal should be to establish a governance framework that fosters the competitive and least-cost procurement of capacity in the wholesale market while respecting state authority over retail markets and end consumers in the individual Western states.

¹ CAISO Proposal at 2.

² *Id.*

³ *Id.* at 4.

For that reason, Powerex opposes establishing a governance structure that may unnecessarily limit the ability of the regional ISO to explore market rule changes that have the potential to confer material economic and/or grid reliability benefits on stakeholders in an expanded regional market at the wholesale level. More specifically, the governance structure should clearly permit:

- 1) The regional ISO to develop and operate short-term capacity markets that are necessary to maintain reliability. This includes day-ahead and real-time procurement of ancillary services and other short-term capacity products that are deemed necessary for reliability. This should also include the centralized forward procurement (and cost allocation) by the regional ISO of “back-stop” capacity, to the extent an entity and/or region has failed to meet its resource adequacy obligations.
- 2) The regional ISO to examine and foster stakeholder discussions in support of a long-term, voluntary forward capacity market to supplement the long-standing bilateral procurement process utilized by utilities throughout the Western Interconnection, to the extent that the regional ISO expects that such a construct has the potential to reduce the cost of meeting regional grid reliability needs.

Powerex believes that a *voluntary* centralized long-term, forward capacity market could provide substantial benefits to utilities and their consumers, while remaining fully consistent with the right of individual states to maintain local control over resource procurement to meet retail load obligations. For instance, a voluntary, centralized, long-term capacity market may identify lower cost options to meeting an entity’s long-term capacity requirements than would be available solely through the bilateral solicitation and contracting process. In addition, a voluntary, centralized, long-term capacity market could significantly increase the transparency of capacity offerings and prices across the Western region, which could greatly assist utilities, state regulators, and consumer groups in their efforts to ensure that bilateral contracts are indeed the least cost, best fit solutions available to ensure resource adequacy.