

DOCKETED

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Comment Received From: Oregon Department of Energy

Submitted On: 7/7/2016

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Proposed Principles for Governance of a Regional ISO

Additional submitted attachment is included below.



To: California Energy Commission

Re: Docket # 16-RGO-01; California ISO Proposal -- Proposed Principles for Governance of a Regional ISO, submitted 6/9/2016

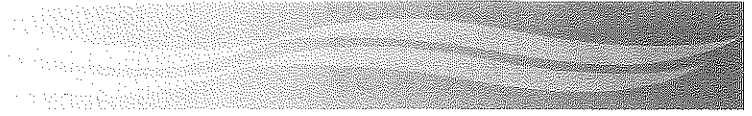
Subject: Comments from Oregon Department of Energy

Date: July 7, 2016

The Oregon Department of Energy (Department) appreciates the actions taken by the California Energy Commission (Commission) in pursuing the issue of governance of a potential western regional independent system operator (ISO). With the Commission establishing the docket #16-RGO-01 and holding three informative and well-attended workshops, the issue of regional ISO governance has taken a prominent position in regional discussions. The Department is encouraged by these actions and we see governance as a preeminent issue, which must have clearly outlined principles upon which western states can agree before any other significant steps toward a regional ISO should be taken.

The Department offers the following specific comments and suggestions in response to the Proposed Principles for Governance of a Regional ISO, submitted by California ISO (CAISO) under this docket on June 9, 2016. Department staff attended the Commission workshop in Denver on June 20, 2016 and we understand the Commission's desire for concise comments and specific suggestions.

- The Department appreciates the first principle of "Preservation of State Authority." There must be a continual buildup of trust between California and the western states (initially those states in which PacifiCorp has service territory) in order to evolve the California ISO into a western ISO. For example, methodologies and tools for resource planning have evolved over time in the hydro-rich Northwest. We value the assurance in this first principle that resource planning will not be entirely transferred away from Northwest states to a west-wide entity that may potentially lack the hydro expertise we have developed.
- The Department supports a strong role for the proposed Transitional Committee of Stakeholders. This committee has a crucial role as the entity responsible for crafting the corporate documents to form a new western ISO Board. The Transitional Committee should have a variety of stakeholders represented, including, but not limited, to generators (renewable and non-renewable power), transmission owners, Bonneville Power Administration and public power from outside the Northwest, transmission-dependent utilities, industrial customers, public interest groups, consumer advocates, state energy offices and state regulators.
- The Department believes there are issues with the proposal that the members of the Transitional Committee would be appointed by the current CAISO Board. This process places too much power in the hands of California advocates. An alternative to consider is the formation of a Nominating Committee that would include two members from each of the six western states

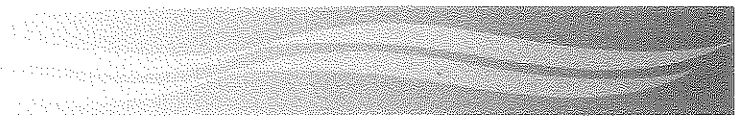


in PacifiCorp territory (California, Idaho, Oregon, Utah, Washington and Wyoming). The two members would be appointed by the Governor of the respective state. The Nominating Committee would have the charge of appointing members of the Transitional Committee.

- The Department cautions against the proposed composition of the Initial Board through the transition period. The CAISO proposal is to have five current members of the ISO Board (appointed by the California Governor and confirmed by the California Senate) with the addition of four other members selected by other states. There are two deficiencies in this proposal:
 - a) a California-dominated Board for an unspecified time during the “transitional period” would inherently put the other western states in a weak position, and
 - b) PacifiCorp has service territory in five states other than California, so by design one state would be left out.

The Department encourages the Commission to consider modifying the composition of the Initial Board to an eleven-member board with five CAISO Board members, five members from the other western states in PacifiCorp territory, and one member nominated from the public power sector. Of course, all FERC rules must be followed, which require independence of ISO Board members.

- The Department supports the position of many other western states that the proposed Body of State Regulators is a key entity to the balanced, smooth function of the governance of a new western ISO. The Body of State Regulators is proposed to have primary authority over regional policy initiatives such as transmission cost allocation and aspects of resource adequacy. This primary authority, including policy approval before the ISO Board can proceed with Section 205 filings, will be a critical component of building confidence in public utility commissions of western states who are being asked to give up significant regulatory authority over any transmission owner that proposes to join the western ISO. Given that the Body of State Regulators appears to have consensus support among the parties, we recommend careful crafting of the final Principles for Governance of a Regional ISO with the aim that the policy approval function of the Body be compliant with FERC rules and precedents in other ISO/RTO organizations in the U.S.
- The Department believes there are issues with a potential voting rule for the Body of State Regulators, some refer to as the “WIRAB model,” which requires an affirmative vote of a majority of the members as well as members that represent a majority of load. Despite assurance from the Commission and CAISO, this would in effect give California “veto power” over the decisions of this important entity that guides policy for the entire western ISO. The Department encourages another voting rule be considered instead. In the case of a vote that fails solely because it does not meet the criteria of approval by members that represent a majority of load, a second vote could be called by any member. In the second vote, a supermajority (e.g. 75%) of affirmative votes by members could result in approval regardless of the proportion of load represented by those voting in the affirmative.



In summary, the Department supports evolution in western energy markets that shows potential for greater reliability, streamlined transmission planning, increased use of renewable energy and more efficient use of both transmission and fossil-fuel resources. The formation of a western ISO appears to be a viable path toward all these goals. The requirement for action by the California legislature to allow CAISO to explore potential changes in structure and function is helpful in moving forward with additional studies about costs and benefits. As the discussion around a potential western ISO continues, western states will need to better understand the overall costs as well as potential locational disparities in costs. With Principles for Governance that stay at a high level, and consensus on a clear pathway for subsequently working out details between CAISO and stakeholders, the proposed timeframe should be workable.

Again, the Department wishes to express our appreciation for the Commission's leadership on the governance issue for a western ISO and for the opportunity to provide comments. We look forward to further engagement with the Commission on this important regional initiative.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael Kaplan".

Michael Kaplan, Director

Oregon Department of Energy