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PRODUCERS COALITION ON REGIONAL GRID GOVERNANCE**

Additional submitted attachment is included below.

CALIFORNIA ENERGY COMMISSION

In the matter of:

Docket No. 16-RGO-01

REGIONAL GRID OPERATOR
AND GOVERNANCE

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COMMENTS OF NORTHWEST AND INTERMOUNTAIN POWER PRODUCERS COALITION
ON REGIONAL GRID GOVERNANCE

1. INTRODUCTION

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) represents Independent Power Producers (“IPPs”), marketers and service providers active in California, Idaho, Oregon and Washington. In the WECC outside of California, roughly 30% of the region’s generation capacity has been developed and is operated by the competitive power sector. NIPPC has a clear interest in this regional conversation on the governance of a Westwide independent system operator (ISO).

NIPPC shares the general consensus in the West that a regional ISO is necessary and in fact long overdue. The independent power sector is eager to see a well-designed and fairly operated organized market emerge in the West. NIPPC considers the creation of the EIM and PacifiCorp’s pursuit of a “meld” with an ISO headquartered in Folsom to be very positive developments. NIPPC appreciates the opportunity to offer these comments on the ISO’s Proposed Principles for Governance of a regional ISO.

COMMENTS

2. PRESERVATION OF STATE AUTHORITY

NIPPC supports the overall goal of the CAISO's straw proposal to preserve existing state authority. Nothing about expanding the footprint of the CAISO to other regions of the west should either limit or expand the existing role of state commissions. NIPPC, however, objects to the proposal to use corporate bylaws to establish governance. NIPPC believes that all business of the new regional ISO should be set forth in the ISO tariff. While NIPPC would not object to allowing similar language to appear in the by-laws or other corporate governance documents, where language conflicts with the Tariff, the tariff language should control.

3. TRANSITIONAL COMMITTEE OF STAKEHOLDERS

The essential qualities of an independent system operator are in the very name; an operator of the transmission system independent of inappropriate outside influences. But which outside influences are appropriate? Obviously, any regional ISO will need to be responsive to the interests of a wide variety of stakeholders. This governance process will largely define the degree of independence for an expanded ISO. One of the principal values of an ISO is that its independent leadership allows it to take a broad view of the grid as a whole — and to take those actions necessary to benefit the grid as a whole. Unfortunately, the CAISO's straw proposal falls short of achieving the degree of independence required for the new organization that has been envisioned.

NIPPC approves of the overall goal of set forth in the ISO's Principles — that the final result of the transition process should be an independent Board that has input from

all sectors of the electric energy community, with a distinct and meaningful role for the participating states.

NIPPC does not object to the general concept of an initial transitional board and transition period. NIPPC, however, objects to the structure of the Initial Board proposed by CAISO. NIPPC believes the make up of the proposed Initial Board is too heavily weighted in favor of California compared to other regions of the West. NIPPC is also concerned that the state-based make up of the Initial Board unnecessarily compromises the opportunity for other stakeholders to have real input into the transition process and formation of a final governance structure that meets the needs of all stakeholders — not just those of state regulators.

NIPPC suggests that CAISO modify its proposal to duplicate the transition model used in the formation of the governance structure for the Energy Imbalance Market (EIM). The EIM Transitional Committee was an advisory committee to CAISO's Board of Governors comprised of power industry experts from a range of sectors and geographic regions. The Committee successfully developed a proposal for a long-term EIM governance structure and advised the Board on matters related to the final testing and early operational phase of the EIM. NIPPC views the work of the EIM Transitional Committee as a model of how right-minded professionals representing their special interests can rise above and create a sustainable and fair governing structure complete with a quality governance board. NIPPC urges the ISO to formulate a similar committee for the purpose of transitioning to a new governance structure for the ISO.

Stakeholders across the West, including state regulators, should be comfortable with

the end result of the EIM process and should be willing to use that model as a transition to an expanded regional ISO.

NIPPC also suggests imposing a clear time limit on the work of the transitional board to ensure that the permanent governance structure is in place sooner rather than later.

4. BODY OF STATE REGULATORS

NIPPC supports the formation of a body of state regulators in parallel with an independent governance structure. Active participation by state regulators will be key to the success of the regional ISO over an expanded footprint. The regulatory advisory groups established in Southwest Power Pool (SPP) and Midwest Independent System Operator (MISO) are models, which the regional ISO can follow. NIPPC believes CAISO proposal regarding the composition of the body of state regulators and the participation of publicly owned utilities is reasonable. NIPPC also believes the focus of the body of state regulators — on issues of transmission cost allocation and resource adequacy — is appropriate. But NIPPC believes that the regional ISO when formed must retain exclusive authority to file under Section 205 at FERC. This authority is central to the organization's ability to function as a truly independent entity. Moreover, NIPPC believes FERC will insist on an organizational structure with this level of independence.