

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	212177
Document Title:	Large-Scale Solar Association Comments on CAISO's Proposed Principles for Governance of a Regional ISO
Description:	N/A
Filer:	System
Organization:	Large-Scale Solar Association/Rachel Gold
Submitter Role:	Public
Submission Date:	7/7/2016 3:58:12 PM
Docketed Date:	7/7/2016

Comment Received From: Rachel Gold

Submitted On: 7/7/2016

Docket Number: 16-RGO-01

LSA Comments on CAISO's Proposed Principles for Governance of a Regional ISO

Additional submitted attachment is included below.



Submitted online

July 7, 2016

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Docket No. 16-RGO-01, LSA Comments on CAISO's Proposed Principles for Governance of a Regional ISO

The Large-scale Solar Association ("LSA") appreciates the opportunity to provide comments on the *California ISO's Proposed Principles for Governance of a Regional ISO* ("Governance Proposal" or "Proposal"). The Proposal does a good job laying out a potential framework for a regional system operator ("RSO") and advancing a number of the key governance issues. Below LSA recommends several areas that would benefit from additional development and detail at this stage along with several suggested changes to the overall proposed framework.

Overall, LSA recommends continued work on this proposal in parallel to any proposed legislative changes and the ongoing stakeholder processes. LSA does not find it necessary to have all of the details of the new governance structure finalized in order for the California Legislature to consider the statutory changes required to enable the formation of the RSO. However, it is important and prudent for stakeholders and the Legislature to understand at a high level how decisions on the final RSO governance proposal will be made, the general governance framework including the scope of authority of the Body of State Regulators ("BOSR"), the transition process to a new board, and any safeguards that will be built into the governance structure. Fundamentally, all parties should be able to understand the changes being made. There should be no surprises in this process.

Renewable power producers, and the solar industry in particular, want to understand the role renewables will have in the Transitional Committee, nomination process and the RSO going forward to ensure adequate pathways to address the needs and interests of renewables. In addition, we'd like to better understand how the governance structure will ensure California's policy priorities for the state's energy supply are preserved, along with other state's policies.

Most notable to LSA in the Governance Proposal is the recommendation that the Transitional Committee of Stakeholders shoulder comprehensive responsibility for the development of next steps on governance. LSA observed that this type of

process appeared to work well in the Energy Imbalance Market (“EIM”) development, however the scope of a Transitional Committee here remains unclear and potentially much broader and of greater importance than that undertaken by the EIM Transitional Committee. Below, LSA provides some specific recommendations about how to develop and design the process so that a Transitional Committee can be effectively used as part of this process. These include:

- A sector-based nomination process that provides for a broad range of perspectives, including that of wholesale renewable energy providers.
- A clear work scope, transparent and fair decision-making process that allows for and enables broad stakeholder input, and well-established guardrails to enable its work.
- Sufficient time to undertake this work. LSA recommends at least one year.

Specific Comments on the Governance Proposal by Section:

1. Preservation of State Authority

The preservation of state authority is a critical and key element to a successful governance proposal for the Regional System Operator, for California and other states. LSA strongly supports this principle. We recommend further clarification about what may diminish or impair state policy and how those issues will be addressed. Some of these issues will be more straightforward. For example, LSA believes that states should maintain their authority around procurement of resources, certificates of public convenience and necessity, resources planning and scenarios and portfolios for study within the state. Others will not be. For example, what happens if state policies conflict? Who holds the responsibility of sorting through these difficult issues? Will it be the RSO board or the BOSR? These questions need to be answered and worked through early in the process. LSA recommends one of the first tasks for the Transitional Committee be to further define what this means in the context of the RSO and how the overall governance will address issues of state authority that may arise and recommend any necessary safeguards. Issues of state authority and potential safeguards to ensure California policy priorities will be respected also need to be closely considered in any California legislation.

2. Greenhouse Gas Accounting

Addressing how greenhouse gas accounting will be established is a critical issue for California and other states and LSA recommends that this important work get started sooner rather than later. As it will take time to work through the complex issues surrounding GHG accounting in the RSO, this issue can be addressed in the context of any legislative change through a binding commitment that the final RSO formation and governance include a transparent accounting mechanism.

3. Transmission Owner Withdrawal

LSA supports having a process for Transmission Owner withdrawal if necessary that also protects the interests of the remaining members. We recommend the existing CAISO framework, which includes a two-year notice provision, be used as a starting point for further development of this section. In addition, the withdrawal procedure should include the potential for exit fees and a dispute resolution processes.

4. Transitional Committee of Stakeholders

As noted above, this section of the Proposal would benefit from additional near-term development, including details on the formation process for the Transitional Committee and more specific scope and guidelines that the committee will work to implement, as specified below.

Process to Establish the Transitional Committee

LSA recommends a sector-based nomination process, similar to that used for the establishment of the EIM transitional committee to serve as the basis for the formation of the Transitional Committee and requests that it include a specific sector for wholesale renewable energy providers. LSA encourages the establishment of a committee for a consensus based decision-making structure but recommends that each sector have one representative (sector liaison) and one vote.

Each sector should be represented by a sector liaison and the entire slate should then be subject to approval by the existing CAISO board. As part of the development of this process, further guidelines should be established for the sector liaison selection process, participation in the sector (e.g. for entities that may fit into more than one category) and the requirements of representing a sector as a liaison. Further, all meetings of the Transitional Committee should be subject to open meeting requirements, including advance notice of meetings, publicly posted written minutes, documents and materials and opportunities for public comment. The Transitional Committee should be responsive to and enable those not on the Transitional Committee to provide on-going input and recommendations.

Scope of Tasks for Transitional Committee

The Governance Proposal and ongoing stakeholder processes have suggested that a number of key issues should be delegated to the Transitional Committee. LSA recommends that the work of the Transitional Committee be focused on issues of governance and leave technical issues, such as the transmission benefits assessment framework with the existing open stakeholder processes. LSA recommends the Transitional Committee focus its initial work on the following tasks:

- 1) Scope of authority and voting structure for both the Independent Board and the BOSR. This includes further details on what issues will be the purview of each board, how questions of state authority will be addressed and 205 filing rights, but not more technical/policy aspects of these decisions (e.g. TAC benefits test).
- 2) BOSR and Independent Board make-up, nomination and selection process, including qualities and requirements desired for the Independent Board.
- 3) Transition process and plan – whether this is through a hybrid board or directly to an independent expert board, some transitional process will be required.
- 4) Dispute resolution process
- 5) Transmission Owner withdrawal process and procedures
- 6) Structure and scope of backstop measures
- 7) Potential changes to stakeholder process including potential development of a member advisory committee.
- 8) Development of bylaws for the Independent Board and BOSR

Timeframe and Sequencing

The proposed six-month time frame is too short for this work to be reasonably completed. LSA recommends a longer timeframe of at least a year. This work should not preclude other parallel processes from continuing. This includes the potential for necessary statutory changes in California provided, however, that there is agreement around the key elements of governance principles, particularly Task 1, above in Section 4 – the scope of authority and voting structure of the RSO and the BOSR, framework for preservation of state authority and binding commitment to address greenhouse gas accounting.

5. Initial Board and Transition Period

LSA is not opposed to the concept of a hybrid/transitional board as recommended in the Governance Proposal. However, this section of the Proposal would benefit from more detail as to how a hybrid/transitional board will be selected and function, and whether it will be an expert or more political board. LSA also questions whether or not this step is necessary. It may be preferable to transition directly to an independent expert board as recommended by Commissioner Travis Kavulla during the June 20th CEC Governance Workshop in Denver. Here we support the recommendations outlined in the comments from the Western Resource Advocates (“WRA”) on behalf of the Public Interest Organizations, which suggest that during the transition period, deference be given to the recommendations of the Transitional Committee as to the governance structure as a way to balance the interests of California with those of other states.

6. Composition of Regional ISO Board

LSA supports the formation of an independent expert board that includes a broad range of skills and areas of expertise. The Transitional Committee should prioritize defining these qualities and requirements and developing the nomination and selection process. LSA recommends using a transparent sector-based nomination process, similar to that used for the EIM board as the framework for the selection process as noted above for the Transitional Committee that includes a sector for wholesale renewable energy providers. LSA supports the WRA recommendations that the ultimate slate receive approval from both the Transitional Committee and the current CAISO board and that further process and guidance be developed in advance for appropriate sector and broader stakeholder engagement.

7. Body of State Regulators

LSA supports the establishment of the Body of State Regulators with a more specific definition of scope of authority and basis for decisions. LSA sees the BOSR as a critical element in ensuring the preservation of state authority and advancement of state priorities. However, we are concerned that there is a tension in the BOSR taking on more authority and responsibility than the states hold individually today, putting state regulators in roles outside their normal areas of expertise and jurisdiction and in doing so potentially impinging on the ability of the RSO to function effectively.

In order to address these concerns, LSA recommends that the scope of the BOSR's role be refined. Part of that refinement should be to specify that the BOSR holds an approval role over policy related to transmission cost allocation and aspects of resource adequacy, but is not charged with developing these policies, plans or the frameworks for future decision-making. These should be developed through the expertise of RSO staff with input an open stakeholder process to ensure that all stakeholders, including state regulators, have a role and voice in the policy development. LSA also recommends that the scope of Section 205 filing rights be closely considered, to both ensure they comport with the Federal Power Act and do not provide the BOSR with undue authority by restricting the ability of the Independent Board to authorize Section 205 filings.

8. Stakeholder Processes

In considering potential changes to the stakeholder process, LSA recommends that the Transitional Committee start by identifying and defining the goals and aims any changes are designed to address. LSA suggests they include goals for a more transparent process with a greater role for market participants in decision-making. Once those goals are defined, the Transitional Committee can then consider what changes can best meet those goals, whether that be a members

committee or some other additional structure or changes to the current processes. LSA does not yet have a specific recommendation as to how those changes should look, as we believe it is important to start by defining the goals first. However, we do not recommend a model where work flows through multiple and specified committees or through a weighted voting structure. In addition, in designing any new committee structure or processes it is critical to LSA that the solar industry maintains its ability to participate directly and advocate for its unique needs.

LSA looks forward to further discussion and engagement on the development of governance for the RSO, as recommended above.

Sincerely,

/s/Shannon Eddy

Shannon Eddy
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/s/Rachel Gold

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