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Public Power Council Comments on CAISO Proposed Governance Principles

Additional submitted attachment is included below.

**BEFORE THE
CALIFORNIA ENERGY COMMISSION**

In the Matter of:)
Regional Grid Operator and Governance) Docket No. 16-RGO-01
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**Public Power Council’s Comments on
California ISO’s “Proposed Principles for Governance
of a Regional ISO,” June 9, 2016**

Thank you for the opportunity to comment on the California Independent System Operator’s (CAISO’s) Proposed Principles for Governance of a Regional ISO,” dated June 9, 2016 (proposed principles). Public Power Council (PPC) is a non-profit trade association that represents the common interests of approximately 100 consumer-owned electric utilities (COUs) in the Pacific Northwest that are preference power customers of the Bonneville Power Administration. Many of PPC’s members are located within PacifiCorp’s balancing authority area (BAA) both east and west of the Cascades. PPC’s members range from very large utilities that own generation and transmission facilities to very small utilities that purchase all of their power needs from BPA. PPC’s interest in this proceeding is in ensuring that our members’ delivered power costs are not increased and that they have fair access to a regional ISO’s markets to the extent they choose to participate.

PPC very much appreciates the efforts by the California Energy Commission and CAISO to put forward concrete principles and examples for the Western region to assess. Doing so advances and focuses the discussions that have been ongoing in the West this year. Because the CAISO’s proposed principles are cast at a high level, PPC’s comments will address them generally.

1. Preservation of State Authority

PPC agrees that state regulatory authority should be explicitly preserved as it currently exists. This express preservation should include preservation of the authorities of state entities that are not regulated by state public utility commissions.

2. Greenhouse Gas Accounting

While PPC understands the need to develop a tracking and identification process or tools for greenhouse gas production and energy consumption within California, this is not a governance issue and it should be resolved in consultation with stakeholders and the various states. To the extent that tracking and identification proceeds as an issue in this process, we respectfully suggest that the ability of non-California generation to opt to sell only to loads outside of California must be guaranteed. Non-California load serving

entities (LSEs), and their designees and agents, in particular must be able to bid in their generation to serve their own, or their neighbors', loads without paying a California tax.

3. Transmission Owner Withdrawal

The ability of a participating transmission owner (PTO) to withdraw from the market is black letter law. We agree that guidelines for withdrawal are also important. As part of those guidelines, the PTO must also be responsible for repayment of investments made by others within the PTO's footprint when appropriate to avoid inequitable cost-shifts.

4. Transitional Committee of Stakeholders

Consumer-owned utilities in the proposed regional ISO footprint should have representation on the Transitional Committee for the same reasons that these utilities should have representatives on the proposed Body of State Regulators.

5. Initial Board and Transition Period

The proposed initial board, with a majority Californian makeup, provides an inadequate forum for adoption of a new governance framework and regional ISO market rules; it is not fairly representational of consumer interests and is not structured so as to create support by stakeholders and utilities across the West. Additionally, the current proposal for the initial board and process for transition is unduly complicated and incomplete. There is no timeline or deadline for transition. It is troubling that the proposal leaves the California majority on the initial board in place for an indefinite period of time when critical aspects of governance and the expanded market are put in place. A better path would be for the regional ISO to transition directly to a new governance structure with new board staffing or be incorporated into a new non-profit company. Governance development should be completed in an open stakeholder process before details and proposals for integration are filed at state commissions or FERC.

6. Composition of Regional ISO Board

The proposal gives prominence to board members' independence with respect to having no financial interest in a market participant. This is, of course, a necessary first qualification for each board member. The board itself, however, must collectively comply with other essential qualifications, including not just professional competence but also geographical diversity and diversity of industry experience. It is important that the ISO and CEC use the FERC guidelines only as a starting point for board composition and not as a limitation. Such diversity requirements should be part of the bylaws and should ensure that no state or industry segment gains control of significant policy, financial or market design decisions.

7. Establishment of a Body of State Regulators

The establishment of an independent corporation to permit states to discuss issues and

influence the regional ISO is an important element of a governance proposal. The current proposal, however, omits any real representation of the roughly 7.5 million customers in the regional ISO's footprint that are served by COUs. Public utility commissioners, however well intentioned, do not represent the interests of COU customers; commissioners' obligations are to the utilities they regulate and their consumers. COUs represent their consumers and member's interests uniquely and they have a responsibility to do so.

Without a voting role on the body of regulators and without a strong market advisory committee, as described below, COUs would not have structural participation or a voice in the regional ISO, unlike investor-owned utilities whose regulators have that structural participation. Omitting a voting role for COUs under those circumstances cannot in any sense be considered equitable, nor would it be viewed as an inducement for disenfranchised consumer-owned electric utilities to join the regional ISO. Without a strong market advisory committee, COUs should have at least two representatives, each from a different state.

8. Stakeholder Processes and Stakeholder Participation

A robust and functional stakeholder process that engages and informs stakeholders is an essential feature of any ISO, but it is not enough on its own to produce a constructive relationship between stakeholders and the board and staff. A constructive relationship is a basis for building trust, which in turn is essential to mutually developed solutions and the avoidance of litigation. A Market Advisory Committee, which is part of the governance structure of the organization and which must be consulted by the board and staff, is key to a well-functioning ISO that has good relationships with its market participants, states and consumer advocates.

With regard to funding special functions, we do not believe that additional funding from the ISO should be required to fund a state's consumer advocates. But, if such an idea is adopted, funding should only go to advocates that are state agencies (or are funded solely by a state) and not to free-standing organizations funded by non-state sources.

Respectfully submitted this 7th day of July 2016.



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