

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	212545
Document Title:	Energy Users Forum Comments on Revised CAISO Proposal for Regional Governance
Description:	N/A
Filer:	System
Organization:	Energy Users Forum/Carolyn Kehrein
Submitter Role:	Public
Submission Date:	8/2/2016 10:29:56 AM
Docketed Date:	8/2/2016

Comment Received From: Carolyn Kehrein

Submitted On: 8/2/2016

Docket Number: 16-RGO-01

EUF Comments on Revised CAISO Proposal for Regional Governance

Additional submitted attachment is included below.

August 2, 2016

**POSTED ELECTRONICALLY TO
DOCKET 16-RGO-01**

California Energy Commission
Dockets Office, MS-4
Docket No. 16-RGO-01
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket 16-RGO-01: Comments of the Energy Users Forum on the CAISO's Revised Proposed Principles for Governance of a Regional ISO

Energy Users Forum¹ (EUF) appreciates this opportunity to provide comments on the California Independent System Operator's (CAISO) *Proposed Principles for Governance of a Regional ISO (Revised)* issued on July 15, 2016, and discussed in the Joint State Agency Workshop on Proposed Regionalization of the Independent System Operator held on July 26 in Sacramento, California.

The CAISO and the operation of the transmission grid are very important to California's electricity consumers. The existence of the CAISO has enabled end users to make decisions regarding their supply and supplier, the source of supplies, the terms and conditions of purchase, and how they want to respond to price signals. On the other hand, the protocols, rules, software, and actions and inactions of the CAISO can have a significant impact on cost, not just options and opportunities. During the history of the CAISO, there have been a number of times when non-beneficial strategic behavior or unforeseen actions by market participants, software glitches and unexpected outcomes, and changes in market design have resulted in additional costs for ratepayers. Indeed, the cost impacts resulting from the actions of the CAISO or the market participants, whether they be increased congestion, out-of-market dispatches, commitment of units, or excess rents obtained by a market participant due to leverage or foresight, are borne by consumers.

It is important that the cart stays behind the horse. The CAISO only exists because there are electricity consumers and regionalization of the grid is only being proposed to provide specific benefits to Californians. Those benefits should not come at an increased cost, unless a cost increase is specifically authorized by legislation. Those benefits also must be measurable and must not be illusory.

¹ Energy Users Forum is an ad hoc coalition that represents the interests of medium and large bundled service and Direct Access (DA) customers in California, taking service on rate schedules for accounts with demand above 100 kW.

Over the last twenty years, the customer representatives active in the CAISO stakeholder processes have learned that things do not always go as planned and that taking the time to fully consider consequences is prudent. EUF is concerned that the hasty implementation of regionalization will not yield the expected benefits, but will yield additional cost and customers paying for environmental benefits not received. We urge the regulators and the CAISO managements and staff to not let deadlines, especially artificial ones or those based on needs of those outside California, to rush the process and force results. Specifically, the governance process should not be unnecessarily rushed and decisions and commitments should not be made before the protocols have been developed that insure that the environmental benefits asserted exist and will be attained—without cost increases for California consumers. Furthermore, we urge regulators and the CAISO management and staff, to be cognizant of the cost impact of potential solutions when making plans and decisions and avoid actions that will increase costs for California ratepayers.

In addition to the general comments above, EUF has the following comments specific to the CAISO’s Revised Principles for Governance:

Preservation of State Authority

Although the proposed revisions are an improvement, the “binding provisions to protect and preserve state authority” should allow for more general preservation than just “matters regulated by the states themselves...” and allow the states to maintain any jurisdiction they deem prudent if consistent with the law and not inconsistent with the existence of the Regional ISO.

Transitional Committee of Stakeholders and State Representatives

The revised principals contain a list of sectors that will constitute the Transitional Committee on Governance. Although CLECA, in its comments, specifically noted that there should be a separate sector for customer representatives, the proposal establishes no sector that allows for participation of these representatives. We urge that the proposal be modified to (i) add an End-Use Customer Sector for representatives of medium and large energy ratepayers, including those entities that represent commercial, industrial, agricultural and institutional consumers before a PUC or at the CAISO and (ii) modify the State-Sanctioned Ratepayer Advocates to include reputable organizations such as The Utility Reform Network (TURN) which represent that interests of residential and small commercial ratepayers before a PUC. Entities that qualify for either sector should be focused on the consumer’s interest in reliable energy at the lowest reasonable cost and not be representatives of organizations that qualify for other sectors.

Historically, end users have been active participants in the governance process. As noted previously in the comments of CLECA and Western Resource Advocate, on behalf of the Public Interest Organizations, end-user representatives were part of the sector process for selection of the EIM Board. However, that process was not optimal as the Public Interest Organizations and the End-User representatives were combined into one sector. The two groups also participate, in separate sectors, in the current CAISO Board nominee selection process. Prior to the current board process, there was a stakeholder board. End-user representatives made up over one-third of the voting members, while Public Interest Groups were given two seats on the board distinct from the end user seats.

Composition and Selection of Regional ISO Board

Under Section 3.4 the Principles state: "The ISO Board will choose between the two candidates put forth by each sector, and if necessary appoint additional members, to ensure that the representatives are geographically diverse and the committee as a whole represents the views of the region." We would prefer that each sector appoint its own representative rather than the ISO Board selecting between two candidates. The ISO Board can appoint additional members if the people selected by the sectors are not geographically diverse.

Establishment of a Western States Committee

EUf supports a hybrid voting protocol where both the number of members and the representational size of each member is taken into account when issues are decided. For instance, each entity could be given a certain number of votes for being a member and then additional votes for each set unit of volume transacted in the ISO market.

Section 6.8 a "Permit[s] the ISO to file at FERC without WSC approval, on a temporary basis, when reliability is imminently threatened..." EUf supports giving the ISO the ability to file with FERC if reliability is threatened and the WSC is at a logjam.

Section 6.8 b "Permit[s] submission of both a proposal approved by the committee and an alternative approved by the ISO board if a supermajority of the ISO board concludes that the proposal approved by the committee would severely undermine reliable operation of the grid or cause the ISO to violate a mandatory reliability standard or other binding FERC requirement." EUf further supports empowering the ISO Board to permit submission of the two proposals if a proposal approved by the WSC would create a reliability risk or violate a regulatory requirement.

Section 6.8 c "Permit[s] the ISO to file at FERC without WSC approval after a sustained period of inaction by the WSC (to be defined by the transitional committee, and only after giving the committee as much notice and opportunity to address the issue as circumstances

allow) if a supermajority of the ISO board concludes that a filing is necessary to satisfy FERC requirements or to remedy a market flaw that poses a material risk to ratepayers.” EUF fully supports giving the ISO the authority to file at FERC without WSC approval when there is a market flaw, or market participant behavior, that poses a material risk to ratepayers. We think that the period of inaction should not have to be “sustained”. Unless the risk is severe, in which the WSC should be required to take immediate action, the WSC should act within ten days after being presented with the risk and asked to vote, unless the circumstances dictate swifter action. Ratepayers’ pocketbooks should not be held captive by the WSC. The WSC can always propose an alternate course of action down the road if they can come to agreement.

Stakeholder Processes and Stakeholder Participation

Section 7.1 c asks the Transitional Committee to consider “[w]hether there should be a funding mechanism to facilitate the participation by State-sanctioned consumer advocate bodies, and if so, who would qualify for such funding, who would pay for it, and how funds would be allocated.” We agree that it is reasonable to consider the question as the move toward regionalization has made it more expensive for end-user representatives to participate effectively in the process. If a funding mechanism is created, it should (i) only provide reimbursement for travel expenses related to committee meeting attendance and (ii) be non-discriminatorily provided to all ratepayer representatives, not just the State-sanctioned consumer advocate bodies, to the extent that members of the committee are selected and not self-appointed. If entities volunteer to be on the committee and if expense reimbursement is provided, it should only be provided to entities that represent the interests of ratepayers, and only ratepayers, before a PUC.

Respectfully submitted,



Carolyn M. Kehrein
Principal Consultant
Energy Management Services
on behalf of Energy Users Forum

August 2, 2016