

## DOCKETED

<b>Docket Number:</b>	16-RGO-01
<b>Project Title:</b>	Regional Grid Operator and Governance
<b>TN #:</b>	212572
<b>Document Title:</b>	PG&E Comments -- Regional ISO Joint Agency Workshop
<b>Description:</b>	N/A
<b>Filer:</b>	System
<b>Organization:</b>	PG&E
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	8/2/2016 12:26:54 PM
<b>Docketed Date:</b>	8/2/2016

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*Submitted On: 8/2/2016*

*Docket Number: 16-RGO-01*

**PG&E Comments -- Regional ISO Joint Agency Workshop**

*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 95814-5512Re: Docket 16-RGO-01: Pacific Gas and Electric Company Comments on the Joint State Agency Workshop on Proposed Regionalization of the Independent System Operator

Pacific Gas and Electric Company (PG&E) provides the following brief comments on the Regional Grid Operator and Governance (16-RGO-01) Joint State Agency Workshop held July 26, 2016. Our comments are mostly limited to elements that are new or newly revised.<sup>1</sup>

PG&E supports the effort to expand the California Independent System Operator (ISO) in order to allow development of a multi-state ISO that can serve the broad interests of the Western states. The basic governance framework contained in the Revised Proposal<sup>2</sup> is sound and will allow California and the other Western States to move forward towards seeking the benefits of a regional ISO, while putting in place the mechanism for further fleshing out the important details of governance implementation. PG&E believes the best interests of California – and of PG&E’s customers – are served by continuing to move this process forward.

Enough discussion has taken place at this point to justify nominating and forming the Transitional Committee (TC). This can be done under the auspices of the current ISO Board without any new statutory authority. Having the TC in place to begin its important work will provide helpful clarity on many of the details of the governance framework and will build mutual trust among the parties. This activity can occur in parallel, maintaining forward momentum and informing the process, at the same time as the Governor, the California legislature, and the elected officials of the other Western States weigh whether the move to a Regional ISO is in the best interests of their citizens.

**Benefits Studies**

With respect to the ISO’s studies of the impacts of a regional market, PG&E believes there will be benefits to California and to PG&E’s customers from a regional expansion. However, PG&E

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<sup>1</sup> PG&E’s previous comments on the SB 350 Benefits Studies and on Regional Governance can be found at: <http://www.caiso.com/informed/Pages/RegionalEnergyMarket/BenefitsofaRegionalEnergyMarket.aspx>  
[http://www.energy.ca.gov/sb350/regional\\_grid/documents/index.html](http://www.energy.ca.gov/sb350/regional_grid/documents/index.html)

<sup>2</sup> “Revised Proposal: Principles for Governance of a Regional ISO”, CAISO, July 15, 2016

acknowledges that there is uncertainty regarding the magnitude of the estimated benefits. Given that the benefits and costs of regional expansion will ultimately depend on the final results of design processes still under development, the current estimated benefits should not be a basis for any cost allocation mechanism at this time.

### Governance

PG&E believes there has been significant progress in the revised governance proposal. PG&E supports the removal of GHG accounting as a governance principle; the elimination of the Interim Board to get to the final Board more quickly; and the greater clarity with regard to the role and composition of the Transitional Committee, the transition process, and the final certification by the Governor of California. However, two key concerns still remain.

First, the Transitional Committee<sup>3</sup> includes at least four different stakeholder sector categories for electric resource providers (Independent Power Producers, Large Scale Renewable Energy Providers, Distributed Energy Resource Providers, and Generators and Marketers) versus only one, narrowly tailored sector representing end-use electricity consumers (State-Sanctioned Ratepayer Advocates). This is not an acceptable balance. PG&E recommends elimination or consolidation of two of the four resource provider categories (leaving two) and the addition of at least one additional category for medium and large end-use electricity consumer representation.

A second area of concern is the Western States Committee (WSC) having “primary authority over certain regional ISO policy initiatives on specific topics within the subject areas of transmission cost allocation and resource adequacy...” with policy approval of the WSC “a prerequisite to any ISO Section 205 filing with FERC in those areas.”<sup>4</sup>

Section 205 of the Federal Power Act establishes FERC jurisdiction over the rates, terms and conditions of transmission service. The right to file under Section 205 thus represents a significant share of the ISO’s current authority and activity. While PG&E could support a WSC with parallel filing rights, along the lines of the SPP and MISO states’ committees, PG&E does not support the open-ended pre-emption of ISO authority contemplated by the current proposal. Furthermore, the proposed mechanism does not, in our view, comport with the Federal Power Act and is unlikely to be upheld by FERC.

Under the revised proposal, a more precise definition of what is meant by “certain” policy initiatives, and the “specific” topics to be covered by WSC authority, is left to the TC. PG&E is concerned that these are highly contentious matters, with the potential to derail the important work of the TC. PG&E, therefore, recommends that the ISO consult with FERC now to seek further guidance on these issues.

In conclusion, PG&E commends the good work that has gone in to development of the governance framework and we look forward to the next steps in the process.

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<sup>3</sup> Ibid., Section 3.3, p. 5

<sup>4</sup> Ibid., Section 6.6 and 6.6(a), p. 9