

## DOCKETED

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**AWEA/INTERWEST COMMENTS ON THE CAISO'S REVISED PROPOSAL  
"PRINCIPLES FOR REGIONAL GOVERNANCE"**

*Additional submitted attachment is included below.*

## AWEA/INTERWEST COMMENTS ON THE CAISO'S REVISED PROPOSAL "PRINCIPLES FOR REGIONAL GOVERNANCE"

The American Wind Energy Association and the Interwest Energy Alliance (AWEA/Interwest) appreciate the opportunity to offer comments on the California Independent System Operator's (CAISO or ISO) revised proposal on *Proposed Principles for Governance of a Regional ISO* ("ISO's revised proposal" or "revised proposal"). AWEA/Interwest are supportive of a transition to a regional grid operator, as a regional market structure will capture the benefits and overall efficiencies gained from the consolidation of balancing authorities and market functions, as well as allowing California, and other Western states, to more readily access some of the highest quality wind in the country to efficiently and cost-effectively achieve renewable portfolio standards and clean-energy goals.

AWEA/Interwest are highly supportive of the modification that the ISO has made in the revised proposal. The modifications appear to move the governance proposal to a place where diverse stakeholders across the Western Interconnection, within and outside of California, can agree on the high-level principles. AWEA/Interwest appreciate that many of the concepts it supported in prior comments have been incorporated into the revised proposal. The removal of the principle relating to transparent GHG accounting and tracking may have posed some concerns for certain stakeholders. As explained in more detail in our previous comments, we believe that transparent GHG accounting and tracking is imperative for both those states with GHG regulations in place or expected in the near term as well as for those states which are unlikely to implement any sort of GHG regulation in the coming years. AWEA/Interwest appreciate that the ISO has publicly committed to implementing a GHG accounting and tracking system well in advance of potential regional market operator implementation. We reiterate the importance of developing this mechanism but recognize that removing it from the governance principles is likely appropriate as GHG accounting and tracking is not fundamentally related to governance.

AWEA/Interwest generally support the ISO's revised proposal and, based on positive experience with the EIM Transitional Committee, is confident that the proposed Transitional Committee process will result in a final governance plan that will help successfully navigate the ISO's transition to a regional organization. Below, we offer general support for the principles articulated in the revised proposal while also offering comments in a few areas where clarification might be considered as the regional governance development plan moves forward. Notably, none of these areas require major modification in the revised proposal, as it appears to strike the appropriate balance and provide sound governance principles for a regional market operator.

### **1. Preservation of State Authority**

AWEA/Interwest support the new language included in this principle. The refined language helps ensure that a capacity market could be developed, should every state participating in the regional ISO and every Board member desire this outcome. However, the revised principle maintains a very difficult, nearly impossible, path for capacity market implementation. AWEA/Interwest also appreciate that the revised proposal indicates that the Transitional Committee would need to develop a process by which a determination could be made as to whether a proposed ISO policy would "materially diminish or impair state authority." This clarification should allow the Transitional Committee to craft a process by which individual state concerns related to impairment of state authority can be adequately addressed, while still empowering the ISO to continue forward with day-to-day activities.

### **2. Transmission Owner Withdrawal**

As previously stated, AWEA/Interwest support the inclusion of this provision and also support the additional detail the ISO has provided in the revised proposal.

### **3. Transitional Committee of States and Stakeholders**

As stated in prior comments, AWEA/Interwest generally support this approach to developing the detailed governance proposals that adhere to the key principles which have been outlined by the ISO. We appreciate the additional clarity offered by the ISO on this composition and structure of the Transitional Committee. Generally, AWEA/Interwest believe that the Transitional Committee approach and composition is appropriate. There does appear to be one key group of stakeholders that was excluded from the Transitional Committee and which may require representation. Going forward, it may be advisable to create a seat for large energy users (including commercial, industrial and agricultural users) and their representatives to participate in the Transitional Committee. As voiced by several parties during the July 26<sup>th</sup> Joint State Agency workshop, large end-users are typically not represented by state sanctioned consumer advocates and, therefore, will likely require representation in a separate sector. We encourage strong consideration of the merits of including large energy users on the Transitional Committee as the final governance principles move forward.

### **4. Transition Period**

The revised “transition period” which eliminates the initial board concept is a vast improvement over the initial proposal. It simplifies the process and provides a governance structure which appears to be far more amenable to diverse stakeholders across the Western Interconnection. The revised proposal also vastly reduces the amount of time required to transition the ISO into a regional organization overseen by an independent Board.

AWEA/Interwest believe that, going forward, additional clarification on the timing of the transition period would be useful. The Revised Proposal states that “within 18 months after the regional governance plan becomes effective, the ISO will begin to seat new Board members.” While we understand that many of the details associated with the process and schedule for seating new Board members would be developed by the Transitional Committee, AWEA/Interwest would appreciate clarification on this point at a later date. Is this provision intended to simply require that new Board members “begin” to be sat within 18 months? If so, the implication is a Transition Period could drastically longer than 18 months. Alternatively, is the provision intended to require that all new Board members are sat within 18 months? This interpretation would ensure that, 18 months after the regional governance plan becomes effective, a nine-member Board is seated and acting. AWEA/Interwest encourage expeditious transition to a nine-member Board and suggests that the nine-member Board should be seated no later than 18 months after the regional governance plan becomes effective.

### **5. Composition and Selection of a Regional ISO Board**

AWEA/Interwest strongly support the modifications made to this principle. The nomination and selection process proposed would appear to continue to ensure that states participating in the regional ISO have a strong role in both nominating and electing future Board members of the organization.

### **6. Western States Committee**

AWEA/Interwest appreciate the modifications and flexibility for participation added to this principle. While we supported the previously proposed WIRAB voting model in earlier comments, AWEA/Interwest also support the modification that would provide the Transitional Committee with additional flexibility in developing a voting rule that ensures a load-weighted vote is incorporated, while balancing the requests from other stakeholders to consider creative voting structures that might better appease the diverse interests of the Western Interconnection.

While AWEA/Interwest understand the ISO's motivation for providing significant authority to the Western States Committee, especially in the areas of resource adequacy and transmission cost allocation, it appreciates that the ISO also added some minor checks and balances into the process to give the ISO slightly more authority to file tariff changes where there is sustained inaction by the Western States Committee or where reliability is immensely threatened. We encourage the relevant agencies to continue considering whether providing the ISO with more authority in this area would serve to incent the Western States Committee to come to agreement in these key areas of regional ISO operation.

#### **7. Stakeholder Processes and Stakeholder Participation**

AWEA/Interwest appreciate the additional clarity the ISO has offered on this proposal including the direction for the Transitional Committee to consider whether there should be a market advisory committee and whether intervenor funding for consumer advocates should be established.

#### **8. Requirements for Plan to Become Effective, including Governor's Certification**

AWEA/Interwest support the clarification offered in the revised proposal and believes they should help to ensure that both the interests of all Western Interconnection states are preserved, as well as ensuring that California is provided with assurances that the final, more detailed governance proposal resulting from the Transitional Committee process, are in line with the principles that will presumably be approved by the California legislature.

#### **Conclusion**

In conclusion, AWEA/Interwest generally support the revised principles the ISO proposed for a future governance structure. We appreciate the ISO's responsiveness to stakeholder comments and, especially that the ISO has made significant progress in modifying the structure and composition of the future Board and creating an approval system with multiple checks and balances to help ensure final governance structure is amenable to the diverse set of states and stakeholders across the Western Interconnection.