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PacifiCorp Comments on Revised Governance Principles

Additional submitted attachment is included below.



**COMMENTS OF PACIFICORP
ON THE REVISED PROPOSED PRINCIPLES
FOR GOVERNANCE OF A REGIONAL ISO
August 2, 2016**

A. INTRODUCTION

PacifiCorp hereby submits the following comments to the California Energy Commission (“CEC”) on the California Independent System Operator Corporation’s (“ISO”) Revised Proposed Principles for Governance of a Regional ISO, published July 15, 2016 (“Revised Governance Principles” or the “Revised Proposal”). PacifiCorp appreciates the opportunity to provide comments on these Revised Governance Principles for consideration by the CEC and the ISO.

PacifiCorp appreciates the efforts of California’s legislators, California agencies and *all* regional stakeholders these last several months in advancing regional discussion around the potential for a western regional Independent System Operator (“regional ISO”). Those efforts have included the advancement of study work and governance principles under the directives of California Senate Bill 350 (“SB 350”). Importantly, PacifiCorp also acknowledges the significant efforts of government representatives, commissions and agencies from each state that PacifiCorp serves, and their contributions to the dialogue around the creation of a regional ISO. PacifiCorp takes this opportunity to recognize these efforts and to voice support for the presentation of these Revised Governance Principles by the governor to the legislature during the August 2016 legislative session as a proposed modification of the California ISO’s existing governance.

This work is tremendously important for the West to establish a foundation upon which to deliver *significant* annual savings for California customers and the customers of PacifiCorp’s other service territories in Idaho, Oregon, Utah, Washington, and Wyoming. Regional integration is aimed at reducing costs for consumers, improving coordination and reliability of western electric networks, facilitating the integration of renewable resources, enhancing regional transmission planning and expansion, and reducing greenhouse gas and other emissions. Pursuing integration of the PacifiCorp and California ISO balancing authority areas under the appropriate principles will support achievement of these goals.

B. COMMENTS

Overall, PacifiCorp was pleased to see that the Revised Governance Principles, issued July 15, 2016, contain several notable changes which signify meaningful response to stakeholder concerns. For a west-wide, multi-state regional ISO to function properly, fairly, and effectively it must respect its multi-jurisdictional nature, so that no single state can unduly influence or control the regional ISO and so that all market participants are treated fairly. These changes, which are discussed more thoroughly below, include: 1) the ability of *all* states in the expanded regional ISO footprint to select their own representative for the transitional committee without California

ISO board approval; 2) the elimination of the concept of a transitional board of political appointees with a California majority in favor of a more direct process for transitioning into a fully independent board; and 3) the institution of a regional ISO board approval committee consisting of state representatives. These changes respond to concerns that the scales needed to be adjusted to provide more overall balance among all affected states.

The approach contemplated in the Revised Proposal is that the principles could be incorporated into California state legislation that, if enacted, would sunset or repeal the provisions of the current ISO governance structure. PacifiCorp continues to strongly support the sunset or repeal of the provisions of the current ISO governance structure and that no further action by the California legislature be required in 2017 or beyond. The Revised Proposal provides that the Governor of California may approve a final regional governance plan prepared by the transitional committee by certifying to the California Legislature that adoption of any bylaws or corporate governance documents implements the principles approved by the California Legislature, and is in the best interests of California and its ratepayers. While PacifiCorp would have preferred finality and resolution of California approvals in 2016, PacifiCorp acknowledges California's desire to ensure that the final governance plan remains consistent with the Revised Proposal, but would encourage the governor to give all possible due deference to the work of the transitional committee.

1. Preservation of State Authority

PacifiCorp continues to support the revisions articulated in the Revised Governance Principles that the regional ISO's new governance structure will include binding provisions to protect and preserve state authority over matters currently regulated by the states themselves, including procurement policy, resource planning and certificate of public convenience and necessity approvals for utilities within their jurisdiction, and generation resource or transmission siting within their state. PacifiCorp appreciates the revision which strikes the word "currently" from the following text: "The ISO's new governance documents will include binding provisions to protect and preserve state authority over matters currently regulated by the states themselves..."

PacifiCorp appreciates the clarification revisions in the provision that prohibits the ISO from proposing or endorsing any centralized market for forward procurement of electric capacity products. PacifiCorp believes this approach may be an effective way to mitigate the regional concern around inclusion in the Revised Proposal of this provision.

PacifiCorp strongly supports the revised provision that any change to regional ISO bylaws or other corporate governing documents that relate to state authority must require unanimous approval by both the new ISO Board and the Western States Committee.

2. Transmission Owner Withdrawal

PacifiCorp appreciates the additional background and explanation provided in the Revised Proposal. PacifiCorp continues to support the principle that the regional governance structure must ensure the right of participating transmission owners to withdraw from the ISO, either voluntarily or in light of an order by their state regulator. PacifiCorp believes that the language as drafted is appropriate for establishing a basic principle, but notes that additional detail needs to be developed through appropriate stakeholder processes.

3. Transitional Committee of Stakeholders

PacifiCorp continues to strongly support use of a transitional committee charged with implementing the governance design that embodies the principles ultimately adopted in this process. PacifiCorp also ardently supports the revisions in the Revised Proposal which modify and explain the composition of the transitional committee and the public process it will use to develop a regional governance plan that implements the principles adopted. Further, PacifiCorp appreciates that the details are drawn from the Energy Imbalance Market Transitional Committee, particularly with respect to ensuring that committee members will include one representative from each state in the expanded ISO footprint to ensure geographic diversity. PacifiCorp agrees with the modification to allow each stakeholder sector to select two candidates from different states. In addition, PacifiCorp supports development of a separate and distinct sector for consumer advocates and a membership seat in the federal power marketing administrations sector. Finally, PacifiCorp supports the modifications in the Revised Proposal that provide that the governance plan must be approved by, at least, each state representative and for the transitional committee to strive to complete work in nine to twelve months, instead of the originally proposed six months.

4. Initial Board and Transition Period

PacifiCorp strongly supports the modifications in the Revised Proposal to dispense with a transitional board and to transition from the existing board to a new independent board through a new nomination and approval process developed by the transitional committee. PacifiCorp also supports the added timing of seating new members within 18 months after the regional governance plan becomes effective.

5. Composition of Regional ISO Board

PacifiCorp reiterates its support of the Revised Proposal which states that the transitional committee will develop a new nomination and approval process that will be used on a going-forward basis. The Revised Proposal provides for a two-step nomination and selection process, similar to the process used for selecting the EIM Governing Body, which would be used for at least the transition period, with the details to be developed by the transitional committee. The two-step process will involve both (1) a stakeholder-based nominating committee that selects nominees with the assistance of a professional search firm, and (2) an approval committee, consisting of the voting members of the Western States Committee, which must confirm each slate of nominees. PacifiCorp supports these modifications to the Revised Proposal.

6. Establishment of a Body of State Regulators

PacifiCorp remains supportive of the provision in the Revised Proposal that calls for a body of state regulators to provide policy direction and input on matters of collective state interest. In general, this is a model that has served other regional ISOs well and would be a good fit for the multi-jurisdictional nature of PacifiCorp's service territory. PacifiCorp appreciates and supports the following modifications to the Revised Proposal:

- Changing the name to the Western States Committee and allowing a state to appoint a non-regulator representative to the committee.
- The addition of a non-voting position for a representative of a federal power marketing administration.
- The provision, to be further developed by the transitional committee, to allow the ISO to file tariff changes with the Federal Energy Regulatory Commission regarding the matters within the primary authority of the Western States Committee after a sustained period of inaction by the committee.
- Clarification of the role and authority of the Western States Committee, including the voting structure for areas under its primary authority, which will include at least some form of weighted voting based on load. While PacifiCorp believes the modification to this provision is an improvement because it leaves additional details on voting rules to the transitional committee, PacifiCorp supports this voting rule only if a load-based structure will not result in an effective California veto. There are multiple potential voting procedures which can effectively address this concern, such as including an additional voting rule that there must also be a majority of all voting state members.

7. Stakeholder Processes and Stakeholder Participation

PacifiCorp continues to support, as modified, the provisions of the Revised Proposal that suggest the transitional committee should consider changes to the ISO's current stakeholder process to facilitate broad and robust stakeholder participation, including:

- (1) Whether there are any process improvements that could facilitate broad participation in stakeholder proceedings;
- (2) Whether any formal stakeholder committees, *such as a market advisory committee of stakeholder representatives*, should be established, and if so, the composition of the committee(s) and the role it would play; and
- (3) Whether there should be a funding mechanism to facilitate the participation by state consumer advocate bodies, and if so, who would qualify for such funding, who would pay for it, and how funds would be allocated.

C. CONCLUSION

PacifiCorp appreciates the CEC's and the ISO's consideration of these comments.