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CDWR Comments on CAISO's Revised Governance Proposal

Additional submitted attachment is included below.

**California Department of Water Resources Comments
On CAISO's Revised Proposal for Principles for Governance of a Regional ISO**

August 2, 2016

The California Department of Water Resources (CDWR) is part of the California Natural Resources Agency, and CDWR's primary responsibility is the construction, operation, and maintenance of the State Water Project (SWP). CDWR has reviewed CAISO's Revised Proposal for Principles for Governance of a Regional ISO, dated July 15, 2016, and offers the following comments.

CDWR believes that a successful governance model for a regional ISO should include a workable mechanism for ensuring preservation and protection of core interests of the member States and for providing an adequate representation of the various stakeholder interests. The SWP is the largest state-owned, multi-purpose water project in the country, and the SWP's operations are critical to the resources and economy of the State of California. As the SWP requires a significant amount of energy and transmission to reliably deliver water throughout the State, the SWP is also the largest single load and the largest single payer of high-voltage transmission costs in the CAISO Balancing Authority Area, and likely will retain this status post-regionalization. CDWR's energy operations in the CAISO market are unique compared with those of traditional utilities as those operations are driven primarily by hydrologic conditions, water consumption, environmental requirements, and other factors arising out of CDWR's primary role of delivering water to Californians. Therefore, CDWR frequently has concerns that are specific to the needs and requirements of the SWP and that cannot be adequately represented by other State agencies or public utilities. FERC has consistently recognized the unique nature of SWP's water and power operations, and also recognized CDWR's need for waivers from certain standard provisions that allow CDWR to fulfill its primary water management mission.

CDWR believes that CAISO's July 15th proposal would be substantially improved if it was modified to provide CDWR with adequate representation in the contemplated regional governance structure. Given the importance of the SWP for the California economy, the uniqueness of the SWP operations and the SWP's role in the CAISO power markets, CDWR believes that it should participate in developing the details of the regional governance plan by having a representative on the transitional committee of stakeholders and state representatives. CDWR further believes that it should have representation on the contemplated Western States Committee (or an equivalent body) or, alternatively, that the role of an advisory member(s) of that Committee be expanded to encompass representation of CDWR's interests. Finally, if the current CAISO stakeholder process is replaced with a more formal stakeholder committee structure, CDWR would want to make sure that it receives a voice on such a committee(s), and

that CDWR's interests remain adequately represented in the regional ISO's stakeholder proceedings.

CDWR looks forward to continuing working with CAISO in developing an efficient and workable governance structure for a regional ISO. Please contact John Yarbrough at (916) 574-0665 or john.yarbrough@water.ca.gov, or Bill Forsythe at (916) 574-0310 or william.forsythe@water.ca.gov with any questions.