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SCE Comments on Regional Expansion

Additional submitted attachment is included below.



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Sacramento, CA 95814-5512

Re: Docket 16-RGO-01: Southern California Edison Comments on Joint Agency Workshop held July 26, 2016 on the Proposed Regionalization of the Independent System Operator

Southern California Edison (SCE) appreciates the opportunity to comment on the CAISO's benefits study and Proposed Principles for Governance per SB 350 and posted July 13 & 15, 2016¹. SCE continues to support the objective of development of efficient wholesale markets for the delivery of electricity and transmission. Properly designed and implemented, regional markets promise to reduce costs for customers, better utilize existing assets, allow for more efficient development of new infrastructure, and reduce costs of renewable energy integration.

While important details for a successful expansion such as transmission charges, GHG treatment, and resource adequacy criteria and determination require additional definition and resolution, such issues are still being addressed in other forums. In addition, important details remain to be worked out on the process of transmission planning in the expanded footprint, the interaction of the ISO Board and the Western State Committee in determining projects and cost allocation, and

¹ http://www.energy.ca.gov/sb350/regional_grid/documents/2016-07-26_documents.php

clarity on how existing CAISO participants will be protected from paying inappropriate transmission costs of new members. For expansion to succeed, all issues must work in a cohesive manner.

Per the comments below, SCE suggests that several items would benefit from additional clarity prior to adoption of a governance proposal.

Revised Principles and Proposal for ISO Governance

Transitional Committee of Stakeholders

The proposed Transitional Committee was modeled after the EIM Transitional Committee that was considered successful for the purpose of EIM governance. The recommendation in the proposal goes beyond the scope of what was asked for in the EIM process, and SCE notes the membership may lack a core California representation of participants currently in the CAISO's market². We recognize the need for regional representation on key issues that will be addressed by an expanded ISO, but it will be important to also provide adequate California representation given the extent of the California transmission system and transmission owners who will be in any expanded ISO. Importantly, the Transitional Committee is tasked with determining the scope of authority of the Western States Committee concerning transmission costs allocation. Additional clarity regarding how the Transitional Committee will receive input and make recommendations on this, and other key issues, should be provided.

Establishment of a Western States Committee

SCE supports a Western States Committee in an *advisory* role on issues identified in the proposal such as resource adequacy and transmission cost allocation. However, SCE would not support the committee having "primary authority" or "final" authority over these issues. Rather than

² The California investor owned utilities (IOUs) will serve a significant majority of the customer base in a new footprint. Yet, the proposal only has one representative from the IOUs. In comparison, the EIM transitional committee had representation from every IOU that was an EIM Entity.

<http://www.caiso.com/informed/Pages/BoardCommittees/EnergyImbalanceMarketTransitionalCommittee/Default.aspx>

having a decision making role, an advisory role would help inform actions adopted by the Regional ISO Board.

Additional clarity on how the Western States Committee will reach opinions on transmission cost allocation, transmission planning, and project selection should be provided. Specifically, SCE recommends the CAISO provide additional explanation on how transmission projects within the expanded footprint will be proposed, reviewed, selected and approved, and provide clarity on the roles of the new ISO board and the Western States Committee in this process.

Benefits Study of Regional Expansion

SCE appreciates the thorough work by the CAISO and the consultants to measure the benefits of regional expansion as required by SB 350. SCE also appreciates the inclusion into the final report of additional sensitivities in response to requests from SCE and other stakeholders. Even under reasonable sensitivities, the analysis continues to show significant potential benefits that can be achieved from regional expansion. Moreover, the study also demonstrates that regional expansion can help reduce GHG relative to the status quo. SCE notes that realization of these benefits will require a proper market implementation and successful resolution of issues noted above.