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<td><strong>Project Title:</strong></td>
<td>Regional Grid Operator and Governance</td>
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<td>Presentation - Potential Topics for Western States Committee Primary Authority: Discussion Paper</td>
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<td>By Burton Gross 10-17-16</td>
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<td><strong>Filer:</strong></td>
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Potential Topics for Western States Committee Primary Authority: Discussion Paper

Burton Gross, Assistant General Counsel - Legal
October 17, 2016
Background for the discussion paper

- **Principle 6.6**: “[T]he WSC will have primary authority over certain regional ISO policy initiatives on specific topics within the subject areas of transmission cost allocation and resource adequacy.”

- The “specific topics” are not further defined

- Need stakeholder input on this issue to move forward

- WSC Paper seeks to frame this issue and start that discussion

- Seeking comments by October 31 (or earlier) to inform a second draft in November
Overview of the Western States Committee: Structure, membership, roles

- Separate and independent from the ISO; funded by ISO rates
- One voting representative from each State
- Two non-voting POU members; one non-voting PMA member
- Several distinct roles:
  - Approval Committee that confirms candidates for ISO Board
  - Principle 1.3: Role in preserving state authority
  - Advisory role on all matters of collective state interest
  - Primary authority role
Overview of Western States Committee: Primary authority and voting rule

• For matters within the WSC’s primary authority, WSC approval must be given for ISO to move forward with a policy proposal, except in certain narrowly defined cases. (See Principles 6.7-6.8.)

• Voting Rule for Primary Authority issues:
  – Approval requires an affirmative vote of at least 75% of the voting members representing at least 75% of total load. (Both requirements must be met for approval.)
  – Drives a high degree of consensus
  – Also means a small minority can block
Potential Factors to Consider in Establishing Topics for Primary Authority

• No single definitive principle or set of principles was identified

• Some potential factors to consider:
  – Is topic an overarching, region-wide policy issue that all states are deeply involved in?
  – Does topic present an issue where balancing competing state interests is particularly important?
  – Is topic a more localized issue or an issue of particular interest only to certain states?
  – Does topic involve everyday operational functions of the ISO?
  – Is it an issue where policy discretion is narrowly constrained by prescriptive FERC/NERC regulation?
Resource Adequacy

• Goal and basic structure of ISO’s RA Program
  – Ensure sufficient capacity to reliably operate grid
  – ISO receives and validates RA showings from LSEs
  – ISO works with Local Regulatory Authorities (LRAs) to ensure sufficient capacity procured
  – RA resources have a must-offer obligation
  – Process for curing deficiencies

• System-Wide Planning Reserve Margin Target
  – Key issue that drives the overall system RA need. Likely to fall within primary authority as a fundamental policy issue of interest and importance to all States.

• Other RA Topics?
Transmission Cost Allocation

• Overview of ISO Annual Transmission Planning Process
  – **Phase 1**: Planning assumptions, study plan, identify any federal, state, local public policy mandates
  – **Phase 2**: Perform studies in three steps: Reliability Solutions, Policy Solutions, Economic Solutions

• WSC primary approval authority for cost allocation for policy-driven projects that support policy mandates of, or provide benefits to, more than one region
  – Cost allocation for such projects typically will raise broad regional and project-specific policy considerations
  – When such a project is selected through the TPP, it comes to WSC for cost allocation determination, subject to FERC review

• Other Topics?
Next Steps

• Comments due on October 31 (earlier is welcome)
• Targeting November 11 for posting a revised paper
  – Webinar in mid-November
  – Comments: November 28
  – Final Draft: December 6

• Other resources from related ISO stakeholder proceedings: