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Description:	By Stacey Crowley 10-17-16
Filer:	Misa Milliron
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Second Revised Proposal Principles for Governance of a Regional ISO

Stacey Crowley, Vice President, Regional and Federal Affairs
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Senate Bill 350 sets out the following process.

- ISO conducts studies - *complete*
- California Public Utilities Commission, California Energy Commissions, and California Air Resources Board hold public workshop where the ISO present Study results and governance modifications
 - *July 26 Joint Agency Workshop held*
- ISO submits studies (*complete*) and proposed modifications to governance structure to Governor
 - *Sept 15 Studies transmitted to Governor*
- Governor transmits to Legislature

The development of Principles for Governance of a Regional ISO occurred throughout the year.

- Winter/Spring - Stakeholder and states discussions/feedback and development of conceptual papers
- May 6 – Energy Commission workshop
- June 9 – ISO Initial Proposal
- June 16 & 20 – Energy Commission workshops
- July 15 – ISO Revised Proposal
- July 26 – Joint Agency Workshop
- October 7 – ISO Second Revised Proposal
- October 17 – Energy Commission workshop (*Today*)

The 2nd revised proposal retains the eight (8) principles with refinements to address stakeholder input/comments.

August 8 2016 Letter from Governor Brown

- Directed Governor's staff, CEC, CPUC, and ARB to continue working with the Legislature, ISO, interested parties and other state and energy regulators to develop a strong proposal that the CA legislature can consider in January 2017.
- Gave ISO more time to clarify and more fully address desired details.

Let's go through each principle of the second revised proposal...

1. Preservation of State Authority

1.1 Protect and preserve state authority over matters regulated by the states

1.1.a. Prohibition of a centralized capacity market

1.2 Amendments to these provisions need unanimous approval by both the ISO Board and the Western States Committee

1.3 process for determining whether ISO initiative would materially diminish state or local authority

1. Preservation of State Authority: Modifications

1.3 Establish collaborative process for the WSC and ISO Board

- Only apply to new policy initiatives proposed after a regional governance structure is in effect.
- Establishes a defined procedure to raise any such concern prior to approval of the proposed policy for filing at FERC.
- Requires the ISO Board to consult and collaborate with the WSC

2. Transmission Owner Withdrawal: No Modifications

There are no changes proposed to this principle.

2.1. The regional governance plan shall ensure the right of participating transmission owners to unilaterally withdraw from the ISO, regardless of the reason, i.e. whether voluntarily or in light of an order by the state or local regulatory authority.

3. Transitional Committee of Stakeholders and State Representatives

- 3.1 A transitional committee on governance will be established
- 3.2 Committee comprised of one representative from each state in expanded footprint, each state selects by own process
- 3.3 Committee also includes cross section of stakeholders
- 3.4 Each sector selects their representative
- 3.5 ISO Board will adopt a charter
- 3.6 Committee should work expeditiously
- 3.7 Committee should work by consensus

3. Transitional Committee of Stakeholders and State Representatives: Modifications

- a. Investor-Owned Utilities
- b. Publicly-Owned Utilities (Municipals, Co-ops, CCAs)
- c. Independent Power Producers (includes Generators and Marketers)
- d. Large Scale Renewable Energy Providers
- e. Distributed Energy Resource Providers
- f. Federal Power Marketing Administrations
- g. Public Interest Groups
- h. End-Use Consumer Advocate Groups

3. Transitional Committee of Stakeholders and State Representatives: Modifications continued

- ISO Board may appoint additional members to ensure geographic diversity and adequate representation
- Charter to include provisions for soliciting stakeholder input and holding public meetings
- More fully define voting and submittal process of proposal to ISO Board for final review
 - Proposes a consensus majority vs. unanimous vote
 - Allows written submission for any areas of disagreement

4. Transition Period

4.1 There will be a transition from the current board selection process to a regional ISO board

4.2 After transition, ISO Board will be comprised of nine members, all of whom will have been selected by the new nomination and appointment method

4. Transition Period: Modifications

- Eliminates deadline for starting transition
 - Transition will commence when the regional governance plan becomes effective
- Establishes three years (36 months) to complete transition to avoid a long, undefined transition period
- Provides flexibility to seat new ISO Board members during this time
- Clarifies the sitting ISO Board members may be appointed to regional Board beyond transition period
 - as long as they were selected by the new nomination and appointment method

5. Composition and Selection of Regional ISO Board: Modifications

5.1 Members appointed through two-step process:

- 1) stakeholder-based Nominating Committee that selects nominees, assisted by search firm
- 2) Approval Committee, voting members of the Western States Committee, to confirm slate of nominees

5.2 Nominating Committee comprised of sector representatives, agreement by at least 75% of voting members

5. Composition and Selection of Regional ISO Board: Modifications continued

5.3 The Nominating Committee will forward slate of candidates to Approval Committee

5.4 Approval Committee

- 1) Consists of voting members of WSC
- 2) Votes on the slate as a whole,
- 3) Need agreement by at least 75% of the voting members representing at least 75% of the total load within the ISO footprint

6. Establishment of a Western States Committee

6.1 Establish Western States Committee (WSC) to provide input on matters of collective state interest, primary authority over certain matters

6.2 Will be incorporated as a non-profit entity separate from the ISO

6.3 One voting representative from each State in the regional ISO footprint will serve on the Committee

6.4 Representatives with non-voting advisory role: include two from publicly-owned utilities within the ISO footprint and one from a federal power marketing administration in the West

6. Establishment of a Western States Committee

6.5 WSC will be subject to open meeting rules, provide public notice of meetings and others to attend

6.6 WSC will have primary authority over specific topics within the subject areas of transmission cost allocation and resource adequacy

6.7 For proposal within the primary authority to be approved, it must have approval from at least 75% of the voting members representing at least 75% of the total load within the ISO footprint

6.8 Provisions include instances where ISO can file without WSC approval

6. Establishment of a Western States Committee: Modifications

6.4

- Relaxes provisions on who may serve as POU/PMA
- Increased POU representatives from one to two

6.5

- Removed language that seemed to limit attendance or participation in WSC meetings

6.6

- Removes references to the Transitional Committee on topics that are no longer expected to in their scope

6. Establishment of a Western States Committee: Modifications Continued

6.7

- Load-based weighted voting rule
 - Approval is obtained by at least 75% of voting members representing at least 75% of total load
 - Voting rule does not apply to decisions by the WSC on whether to provide advisory input on topics outside its primary authority

6.8.c.

- Defined “sustained period of inaction” as after WSC has failed reach resolution for a period of at least 90 days

7. Stakeholder Processes and Stakeholder Participation: No Modifications

- A revised stakeholder process is an important topic and one that deserves further discussion among all stakeholders
- ISO commits to working with all stakeholders and with the Transitional Committee as it considers the full set of options to revise the current stakeholder process.

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

Conforming Revisions related to role of Transitional Committee only

8.1 Following development and approval of regional governance plan by the ISO Board, development of governance documents and any necessary regulatory approvals, the governance plan will become effective only after it is approved by the Governor of California.

8.2 The Governor will approve the plan by certifying that the final governance proposal complies with these principles and that changing the governance of the ISO would be in the best interest of California and its ratepayers.

Remaining Steps for the Principles for Governance of a Regional ISO:

- October 31 – **Comments due**
- Revise proposal (if necessary)
- ISO to present proposed governance modifications
- ISO to submit package to Governor
- Governor to transmit to CA Legislature
- Governor develop proposal in January 2017

SB 350 and ISO Reference Material

California Energy Commission docket 16-RGO-01

http://www.energy.ca.gov/sb350/regional_grid/

October 17, 2016 Regional Grid Operator and Governance Workshop

http://www.energy.ca.gov/sb350/regional_grid/documents/index.html

Senate Bill No. 350 – Clean Energy and Pollution Reduction Act of 2015

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350

ISO's Regional Energy Market webpage

<http://www.caiso.com/informed/Pages/RegionalEnergyMarket/BenefitsofaRegionalEnergyMarket.aspx>