

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	214195
Document Title:	Seattle's ISO Governance Comments
Description:	N/A
Filer:	System
Organization:	Seattle City Light/Robert W. Cromwell, Jr.
Submitter Role:	Public Agency
Submission Date:	10/26/2016 3:22:40 PM
Docketed Date:	10/26/2016

Comment Received From: Robert W. Cromwell, Jr.
Submitted On: 10/26/2016
Docket Number: 16-RGO-01

Seattle's ISO Governance Comments

Additional submitted attachment is included below.

Optional Stakeholder Comments Template

Second Revised Proposal: *Principles for Governance of a Regional ISO*

Submitted by	Organization	Date Submitted
Robert W. Cromwell, Jr., Director Regional Affairs & Contracts robert.cromwell@seattle.gov (206) 684-3856	Seattle City Light	October 26, 2016

Stakeholders are encouraged to use this template to provide comments on the Second Revised Proposal: *Principles for Governance of a Regional ISO* posted on October 7, 2016.

All documents for the Regional Grid Operator and Governance Proceeding are available at:
http://www.energy.ca.gov/sb350/regional_grid/documents/index.html

Submit comments to the California Energy Commission Docket 16-RGO-01:
<https://efiling.energy.ca.gov/Ecomment/Ecomment.aspx?docketnumber=16-RGO-01> or
docket@energy.ca.gov

Comments should be submitted by October 31, 2016.

The Second Revised Proposal retained the eight principles from the prior draft and refined them in ways that seek to address many of the issues raised by stakeholders in their comments. Please provide comments for further refinement of these principles, which will be used to establish a final proposal that can serve as the framework for the governance of a regional Independent System Operator.

1. **Preservation of State Authority**

The Second Revised Proposal proposes revisions to section 1.3 to establish a process for determining whether a proposed new ISO policy initiative would materially diminish or impair the state or local authority. Please comment on this change or any other aspect of preservation of state authority.

Section 1.3 proposes that the ISO would establish a process for determining whether a new ISO policy initiative will materially diminish or impair state or local authority. This process, and debate (or litigation) regarding its application is a probable source of future conflict.

Seattle recommends that the language be altered to provide that if a majority of Western States Committee (WSC) members vote that a proposed policy impairs or diminishes state or local authority then that matter would be referred back to ISO staff for further work to resolve the concerns. This approach would reinforce a cultural change within the ISO (resolving as many concerns as possible before bringing matters forward to the regional ISO Board) that would improve the long-term success of the organization if it becomes a regional ISO. A regional ISO Board, executives and staff will need to

have a stronger mindset of inclusion, and respect for a diversity of interests, if the regional ISO is to be successful serving the diverse needs of the Western states.

2. Transmission Owner Withdrawal

The Second Revised Proposal proposes no changes to this principle. Please provide feedback on this principle.

No comment.

3. Transitional Committee of Stakeholders and State Representatives

The Second Revised Proposal makes revisions to the sectors that will serve on the Transitional Committee, requires the sectors to self-select one candidate to serve on the Transitional Committee, narrows the scope of issues that the Transitional Committee will consider, and provides additional detail with regard to the processes to be used by the Transitional Committee to vote on and submit its proposal to the ISO Board, as well as the process the ISO Board will use in reviewing the proposal. Please provide feedback on these changes and any other aspect of this principle.

Seattle appreciates the revisions made to section 3 and supports them. As a publicly-owned utility that does not operate within the state of California we would like to better understand the rationale for including “CCAs” within the “POU” sector. We presume CCA stands for Community Choice Aggregators, which we understand to be retail choice providers under California law. There are a variety of public power entities across the Western states that are the result of individual state laws.

Seattle would recommend that the ISO consider whether a wider definition of POUs is required in section 3.3. For example, “Public Utility Districts” are a county-based POU in the state of WA, but are not explicitly identified in the principles document. The ISO needs to carefully consider how best to be inclusive of the wide array of load-serving entities across the West and use language carefully tailored to meet its policy goals.

4. Transition Period

The Second Revised Proposal eliminates the deadline for starting the transition to a regional board and instead establishes a deadline of three years to complete the transition. It also provides flexibility within this defined three-year period to seat new Board members, including sitting Board members (if they are selected to do so through the new nomination and approval process established in the principles), without attempting to prescribe all of the details of the process. Please provide comment on this revision or any other aspect related to this principle.

Seattle supports a defined transition period and recommends the current language be amended in section 4.2 to clarify that 36 months is a deadline, not a goal; and that if the transition can be achieved in less than 36 months, the ISO and its stakeholders should seek to do so.

5. Composition and Selection of Regional ISO Board

The Second Revised Proposal provides more detail regarding the key components of the process used to identify and select the membership of the regional ISO Board, which would then be further developed by

the Transitional Committee. Revisions also establish a set of parameters that rely on the Transitional Committee process to develop certain further specifics relating to the make-up of a stakeholder-based Nominating Committee. Additionally, the Second Revised Proposal includes supermajority provisions for voting rules that will be used by the Nominating Committee for establishing a slate of nominees and by the Approval Committee for confirmation of nominees. The proposal also establishes a set of guidelines that the Transitional Committee would follow in developing the (up to nine) total voting sector representatives who would serve on the Nominating Committee. Finally, the ISO offers information regarding why the proposal recommends having nine members serve on the regional ISO governing Board. Please comment on these clarifications and revisions, or any other aspect related to this principle.

Seattle supports the changes in section 5 that are designed to reinforce the imperative of seeking consensus in the development of the nominating committee, so long as doing so does not result in a de-facto veto being provided to any one state through the selection of sector representatives. The current language of section 5.2 “Each sector will be limited to entities that operate within the ISO’s regional footprint...” appears somewhat vague on this point and poses a bit of a logic problem since there cannot be a regional ISO footprint identified in advance of the regional ISO’s existence.

Presuming that the ISO’s intent was to be more inclusive and not limit sector representation to those entities operating within the ISO’s current footprint, Seattle recommends the language of section 5.2 be modified as follows: “Each sector will be limited to entities that operate within the ISO’s current footprint, within the state where a PTO who has joined the regional ISO provides service, or a state adjacent thereto...” Doing so will be inclusive of not only the states affected by the prospect of PacifiCorp becoming a PTO of a regional ISO, but also includes those states who would be directly and indirectly affected by the expansion of the CAISO into a regional ISO; now and in the future.

6. Establishment of a Western States Committee

The Second Revised Proposal relaxes the provision that limited the types of individuals that may serve as POU/PMA representatives to the WSC and removes language that created a misimpression that the proposal intended to limit the scope of issues on which the POU/PMA members may provide input, or that staff from such entities may not be permitted to attend or participate in meetings of the WSC. The revisions clarify that the WSC will generally perform its work in open session and that all members of the public, including such staff, will be invited to attend and participate. It also increases the number of POU representatives from one to two. Importantly, the ISO further develops the proposed voting rule that the WSC members would use when considering matters that are subject to their primary authority, and defines the term “sustained period of inaction”. As a point of clarification, the ISO notes that it does not intend for this load-based weighted voting rule to apply to other matters involving the day-to-day administration of the WSC or to decisions by the WSC on whether to provide advisory input on topics outside its primary authority. These details can be decided at a later juncture, preferably by the representatives of the states that are charged with starting up the WSC. Finally, the ISO has decided to work on addressing this “scope of authority” for the WSC issue now, rather than deferring it to the Transitional Committee, and has subsequently developed a discussion paper and draft proposal that will make suggestions for topics within these areas that should be subject to the WSC’s primary authority.

Please comment on these revisions to the revised Principles for Governance in relation to the WSC, and provide any additional feedback on this principle.

Seattle supports many of the changes made to section 6 and thanks the ISO for its careful consideration of the prior round of comments. We remain concerned about several aspects of the current draft, as identified below.

In section 6.4.a the ISO continues to limit POU participation to those entities “within the ISO footprint”. Seattle believes that doing so is going to inherently limit the engagement of POUs who are outside the current, or then current, ISO footprint, to the detriment of the WSC and eventually, the ISO Board’s decision making. Doing so also appears to reflect an inward-looking view. This language appears to reflect a culture that may be appropriate for a single state ISO, but will be detrimental to the success of a multi-state ISO. Seattle recommends that section 6.4.a. be revised as follows, “a. Two individuals selected by publicly-owned utilities qualified to participate in the regional ISO market.” This would expand the “pool” of potential POU WSC representatives to include entities like Seattle, SMUD, LADWP, SRP, and others that would be excluded by the currently proposed language.

Another alternative, that is midway between the above suggestion and the current draft language, is as follows: “a. Two individuals selected by publicly-owned utilities participating in either the regional ISO’s market or grid management services.” This approach would include Scheduling Coordinators, EIM entities, POUs receiving imbalance services from an EIM entity, and others.

Section 6.4.c as currently worded is not logically coherent and is open to misinterpretation. Seattle recommends the sentence begin “The three non-voting members described above, ...”

Section 6.5 uses the term “participate” without defining it. Seattle recommends that the term be clarified as follows: “... participate through providing public comment ...” This will make it clear that there is a distinction between the roles of the voting and non-voting WSC members and the entities identified in section 6.5. Seattle also recommends that “members of the public” would be a useful inclusion in this section as well.

Section 6.7 appears to propose a single vote, that will be tallied twice – once to count for 75% of the states and once for 75% of the load represented by those states. Section 6.7 should be clarified if this in fact the ISO’s intent.

The apparent result of the current language of section 6.7 is to give the state of California a de-facto veto on all matters within the primary jurisdiction of the WSC. Seattle is strongly concerned about the lack of regard this reflects for the other states affected by the ISO’s potential expansion beyond the state of California. Seattle is concerned that this approach – giving the state of California “first among equals” status for an indeterminate period of time (until sufficient states join a regional ISO to dilute California’s load share of the total loads served by a regional ISO) is likely to garner significant opposition across the West and may not be acceptable to the FERC. Seattle is unaware of any other

multi-state ISO or RTO that provides a single state such a veto right over significant ISO or RTO policies.

The amendment proposed for section 6.8.c appears vague as to how one would define “placed before”. Seattle recommends more definitive language such as “... after the matter has been formally introduced to the WSC on a regularly scheduled meeting agenda.”

7. Stakeholder Processes and Stakeholder Participation

The ISO has not proposed any further changes to this principle at this juncture; however, the 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. Please provide any additional feedback on this principle.

Seattle remains strongly concerned by the ISO’s refusal to consider a “Members’ Advisory Committee” (MAC) as a formal part of its stakeholder process and structure. In order for the ISO to be successful in expanding regionally, it will need to engage in an intentional culture change, one that makes it clear it is responsive to the interests and concerns of those outside the state of California. Adopting a MAC would be reflective of the type of culture change Seattle believes the ISO will have to engage in to be successful in achieving its regional goals.

As to the composition and role it would play, Seattle believes a MAC should be comprised of market participants that have direct financial interest in the success of the market, those who operate bulk electric system elements, while also permitting a diversity of participation similar to the sector representation considered elsewhere in the principles document.

Section 7.1.c asks about funding mechanisms for state consumer advocates. While Seattle supports our Washington state utility consumer advocates, we are also sensitive to the fact that these organizations are creations of state law, and that there is tremendous diversity among the states in how this function is funded, staffed and supported - if at all. For that reason, and also to support the broader concept that a regional ISO needs to take a “federalist” approach of respecting diverse state laws and policy choices, Seattle recommends that the ISO carefully consider whether funding of state entities such as consumer advocates is also a matter best left for the states to determine.

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

The Second Revised Proposal made conforming revisions to this principle, modifying the proposed development of a regional governance plan by the Transitional Committee then approved by the ISO Board, and replacing it with both the development of and approval of a regional governance plan by ISO Board. Coupled with the 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. Please provide any additional feedback on this principle.

No comment.