

## DOCKETED

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**COMMENTS ON 7 OCTOBER 2016 SECOND REVISED PROPOSAL FOR PRINCIPLES FOR GOVERNANCE OF A REGIONAL ISO**

*Additional submitted attachment is included below.*

**CALIFORNIA ENERGY COMMISSION**

**In the matter of:**

Docket No. 16-RGO-01

**REGIONAL GRID OPERATOR  
AND GOVERNANCE**

**IMPERIAL IRRIGATION DISTRICT'S COMMENTS  
ON 7 OCTOBER 2016  
SECOND REVISED PROPOSAL FOR PRINCIPLES  
FOR GOVERNANCE OF A REGIONAL ISO**

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The Imperial Irrigation District (IID) opposes the 7 October 2016 Second Revised Principles for Governance of a Regional ISO for the same reasons cited in IID’s prior comments.

**I. IID FAVORS PUBLIC CONTROL OF APPOINTING AUTHORITY**

The proposed change would take away the right of the people of California to elect the appointing authority--the governor of the State of California. ISO would replace the voter- controlled system for naming the CAISO board with an undemocratic one in which a private group of industry players who do business with the CAISO would make the selections.

Under the 7 October 2016 revision, there would be “up to **nine** total voting sector representatives on the Nominating Committee, with up to **seven** sectors representing the various types of entities that participate in the ISO’s markets.”<sup>1</sup> CAISO followed a similar approach in naming its private utility industry-dominated Energy Imbalance Market (EIM) board:

				
<b>Val Fong</b> PG&E 22 Years	<b>Doug Howe</b> Author Electricity Deregulation	<b>Carl Linvill</b> Former Lawyer PacifiCorp Counsel	<b>John Prescott</b> Idaho Power 23 Years Co	<b>Kristine Schmidt Career Energy including Excel Energy</b>

<sup>1</sup> [https:// www.caiso.com/ Documents/ PrinciplesForGovernanceofaRegionalISO-Clean.pdf](https://www.caiso.com/Documents/PrinciplesForGovernanceofaRegionalISO-Clean.pdf) 7 October 2016 Second Revised Proposal for Principles for Governance of a Regional ISO

Under the 7 October 2016 proposal, CAISO and the private utility companies will obtain complete control over CAISO policies and decisions.

## II. OUT OF STATE RENEWABLE MARKET POWER

IID also opposes the CAISO plan because it would take away the power to stop misuse of market power from a board appointed by the California governor. The plan would shift renewable energy generation away from California, and give to out-of-state renewable energy generators market power over renewable energy needed by California to meet its Renewable Energy Portfolio mandate. Capital savings derived from building renewable generation outside of California is the first claimed benefit of CAISO's plan:

We find that California's ratepayers would save \$55 million/year (0.1% of retail rates) in 2020 under the limited CAISO+PAC regional market scenario. The estimated annual savings for the expanded regional footprint (U.S. WECC without PMAs) increase to \$1–\$1.5 billion/year (2–3% of average customer retail rates) by 2030 for our baseline scenarios, depending on the procurement of renewable resources to meet the state's 50% RPS. These savings have four primary components: (1) **a reduction in renewable investment costs**, represented as a levelized annual cost of procuring enough renewables and supporting system resources to meet the state's 50% Renewable Portfolio Standard ("50% RPS") by 2030 \*\*. <sup>2</sup>

Scenario 3 of the CASIO study shows 56 percent (7,694 of 13,534) of new renewable energy sources would come from outside California, thus giving to them the market power to withhold California's needed renewable energy and thereby raise prices. <sup>3</sup> In 1996, California made the mistake of

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<sup>2</sup> Other claimed savings come from "(2) a reduction in California's net costs associated with the California load-serving entities' production, purchases, and sales of wholesale power; (3) a reduction in generation capacity costs to meet planning reserve requirements, represented as a levelized annual cost of procuring capacity; and (4) a reduction in annual ISO operating costs, represented as an estimate of the ISO's Grid Management Charge that would be allocated to California ratepayers on a load-share basis."

<sup>3</sup> See White, Lawrence J. The Oxford Handbook in Managerial Economics Chapter 5. Market Power: How Does It Arise? How Is It Measured?

putting an electricity deregulation system in place that transferred control over electricity generation needed in California. Electricity prices soared from \$8 billion in 1999 to \$20 billion in 2000. The CAISO would now repeat the same mistake made under the electricity deregulation—transferring control over electricity generation outside of California.

### **III. CONCLUSION**

IID urges CAISO to drop the plan to privatize the governing board of CAISO that would replace the democratic model in which the governor selects the CAISO board with a private corporate model in which market players select the CAISO board. We urge CAISO to turn its efforts to developing a plan of reform under which it can better achieve the renewable energy goals with in-state renewable energy.