

DOCKETED

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SMUD Comments on Second Revised Proposal: Principles for Governance of a Regional ISO posted on October 7, 2016

Please see the attached comments of Sacramento Municipal Utility District.

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
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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.

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the Second Revised Proposal - Principles for Governance of Regional Independent System Operator (ISO), dated October 7, 2016. SMUD's comments below focus on a few of the items. In addition, SMUD supports CMUA's comments and Public Power Comments submitted in this docket.

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.

No comment

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.

SMUD supports the self-selection of sector candidates instead of delegating the ultimate decision to the ISO Board. In section 3.3, SMUD assumes the use of “stakeholder’s from throughout **the region**” means stakeholders may be from anywhere in the WECC region and not confined to within the proposed expanded ISO BAA footprint (CAISO + PacifiCorp). SMUD requests the ISO clarify this reference.

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.

No comment

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.

No comment

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.

SMUD supports the change in section 6.4 to expand POU representation on the WSC to two individuals. This properly recognizes the importance of public power in the WECC region. However, the proposal limits representation to only within the ISO BAA footprint, which SMUD cannot support. POU representation should be broader given the significant role that external POUs play in the ISO market, the impact an expanded regional ISO will have on adjacent POU systems and markets and the fact that the positions are non-voting. SMUD recommends one of the POU positions to include representation by POUs outside of the ISO footprint participating in the regional ISO market. SMUD suggests use of the definition of “market participant” in the ISO Tariff to determine which external POUs participate in the ISO market. And the second POU position would represent POU “market participants” within the ISO footprint.

The proposed scope of authority of the WSC is quite limited. Originally the concept of the WSC was to provide direction on a range of policy matters. The proposal now for the WSC is to limit its primary authority to two specific policy matters – Resource Adequacy System-Wide Planning Reserve Margin Target and Transmission Cost Allocation Policy Driven Projects that Support Policy Mandates of, or Provide Benefits to, More Than One Sub-Region. SMUD supports a WSC that has a broader scope of authority to address various policy issues, not just two limited topics. While we recognize determining what issues are “policy” is a daunting endeavor, it is nevertheless important to make this determination since a well-functioning and properly-scoped WSC is critical to the success of a regional ISO.

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.

SMUD strongly recommends formation of a Market Advisory Committee (MAC) – or other formal stakeholder committee – to provide a forum for stakeholders throughout the region. While SMUD appreciates the ISO’s commitment to work with stakeholders and the Transitional Committee to consider stakeholder process options, this falls short. The Principles should include a commitment to form a MAC. The details of the structure, scope, and process of the MAC can then be addressed by the Transitional Committee.

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