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TANC Comments on Second Revised Governance Proposal

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the Matter of:	
Regional Grid Operator and Governance	Docket No. 16-RGO-01

**Comments of the Transmission Agency of Northern California on
Second Revised Proposal on Principles for Governance of a Regional ISO**

October 31, 2016

The Transmission Agency of Northern California (TANC) appreciates the opportunity to provide these comments in response to the California Independent System Operator Corporation’s (CAISO) posting on October 7, 2016 of a Second Revised Proposal on Principles for Governance of a Regional ISO (Second Governance Proposal).

Overview of TANC

TANC is a joint exercise of powers agency organized and existing under the laws of the State of California and is a “municipality” as defined in Section 3(7) of the Federal Power Act, 16 U.S.C. § 796(7) (2012). Among TANC’s purposes is the provision of electric transmission facilities and services for the use of its Members.¹ TANC’s Members include municipalities currently within the CAISO Balancing Authority Area (BAA) (but which are not Participating Transmission Owners (PTOs) in the CAISO’s BAA) as well as municipalities located in the adjacent Balancing Authority of Northern California (BANC) BAA. TANC is the largest Participant in, and the Project Manager of the California-Oregon Transmission Project (COTP), a 500-kV transmission project extending from the California-Oregon border to near Pacific Gas and Electric Company’s (PG&E) Tesla Substation in central California, where the COTP and the PG&E electric system interconnect. The COTP is the third high voltage link between California and the Pacific Northwest. Since 2011, the COTP has been operated in the BANC BAA.

General Comments

TANC remains concerned about the piecemeal manner in which the CAISO has pursued the regionalization initiatives. For instance, the evolution of the proposed Western States Committee (WSC) and its role related to the regional Transmission Access Charge (TAC) is being addressed in two separate stakeholder processes. In addition, the CAISO is currently undertaking no less than four specific policy stakeholder processes,² and there are other issues affecting regionalization, such as Transmission Planning Process and Grid Management Charge issues, that should be vetted with stakeholders in an open and comprehensive process, but which have not yet been meaningfully addressed for a regional ISO. TANC is concerned with the lack of an

¹ TANC’s Members are the California cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah; the Sacramento Municipal Utility District (SMUD); the Modesto Irrigation District; and the Turlock Irrigation District. The Plumas-Sierra Rural Electric Cooperative is an associate member of TANC.

² TAC Options, Regional Integration of California Greenhouse Gas Compliance, Regional Resource Adequacy and Metering Rules Enhancements.

explicit commitment by the CAISO to ensure that all aspects of the formation of a regional ISO (including those that are currently being discussed in distinct stakeholder initiatives) will be addressed on a comprehensive basis and that one consolidated proposal, inclusive of draft tariff language, will be provided for review and comment by all affected entities prior to submission to the CAISO Board and ultimately the Federal Energy Regulatory Commission (FERC).

TANC is also concerned with the proposed schedule for the CAISO's various initiatives and for the governance principles. The CAISO's proposed schedules for the initiatives and governance indicates that the CAISO will roll out at least two major draft final proposals pertaining to regionalization in December (Regional TAC and Regional Resource Adequacy), presumably expect comments in the midst of a holiday season, and then proceed to the Legislature in January on the governance proposal. The CAISO should ensure that the schedule allows for robust consideration and response by all interested entities on all aspects of the regionalization process on a comprehensive basis.

Specific Comments on Second Governance Proposal

Preservation of State Authority

TANC notes the absence of a reference to local authority in the sentence providing that the "procedure will require the ISO Board to consult and collaborate with the WSC to determine whether the proposed policy complies with the provisions in the ISO documents regarding preservation of state authority." We presume, but seek clarification that this omission was an oversight.

Transitional Committee

TANC appreciates and supports the fact that the CAISO has now proposed to let the Members of each sector select their representative. However, TANC opposes the CAISO's proposal in Section 3.3(b) to require Publicly-Owned Utilities (POUs) to share representatives with Community Choice Aggregators (CCAs). CCAs are a form of direct access providers or distributed renewable energy providers not a POU. Therefore, CCAs belong in a class different than the POUs. Inclusion of CCAs in the POU category potentially dilutes that class and POU representation given that the Transitional Committee will be responsible for developing the specifics relating to the make-up of the Nominating Committee, which in turn will nominate members of the regional ISO Board (as proposed in Section 5.2(a)).

Proposed Section 3.5 requires further clarification in a few respects. First, the specific governance issues the Transitional Committee will be charged with addressing are not clear in the Second Revised Proposal, nor is there clarity on whether these determinations will be made in open process. Second, TANC appreciates the reference to provisions for soliciting stakeholder input and holding public meetings, but it is not clear whether the Transitional Committee itself will be required to consider stakeholder input and hold public meetings, or if one of the tasks that the Transitional Committee will be charged with completing is the development of such stakeholder and open meeting processes. As TANC asserted in its prior comments, the Transitional Committee should, at a minimum, follow California's Open Meetings requirements ensuring transparency throughout the regionalization process and giving

stakeholders an opportunity to comment on the process. Moreover, the new regional ISO Board should also ensure opportunities for robust stakeholder input.

Composition and Selection of Regional ISO Board

Newly proposed Section 5.2 provides that the stakeholder-based Nominating Committee will be comprised of no more than nine sectors, of which up to seven sectors “will be established for the various types of entities that participate in the ISO’s markets.” This section also provides that these sectors will be “limited to entities that operate within the ISO’s regional footprint.” What is the proposed process for ensuring that neighboring entities that may be affected by the regional ISO’s decisions or entities that consider joining the ISO’s regional footprint will have an opportunity to provide input into the nomination and approval of a new regional ISO Board?

Western States Committee

TANC appreciates the CAISO’s decision to increase the number of POU representatives from one to two given the number, size and diversity of POU’s across the region. Section 6.4(a).

TANC believes, but seeks confirmation that, Section 6.5 is intended to ensure that neighboring entities will be informed of the various proposals being considered by the WSC and will be able to provide input to the WSC and the regional ISO Board. Entities that pay the TAC or the Export Access Charge will presumably be affected by decisions made by the WSC and the regional ISO Board and as such, they should have an opportunity to have meaningful input into the process.

Furthermore, the proposal warrants further clarification on the responsibilities of the WSC. There is reference to items that are within and outside of its primary authority as well as matters involving the “day-to-day administration” of the WSC. In this respect, TANC believes voting could be a critical issue, and without knowing the exact scope of the WSC’s responsibilities, TANC withholds comment on the proposed treatment of POU’s with respect to voting rights on the WSC until the scope of the WSC’s responsibilities is clarified.

Conclusion

TANC appreciates the CAISO's decision to increase the number of POU representatives in the WSC but urges consideration of the issues raised in these comments to ensure robust participation by entities that will be directly affected by the regionalization process. TANC also underscores the need for a comprehensive review of the Regional TAC, Regional Resource Adequacy, governance, and other pertinent rules for regionalization and urges the CAISO to ensure that there will not be a piecemeal process for conceptual and tariff submissions to FERC on such issues. Instead, the CAISO should confirm that there will be a stakeholder initiative to permit a comprehensive review of all tariff language pertaining to regionalization and that it will not submit conceptual proposals at FERC.

Respectfully submitted,

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