

## DOCKETED

<b>Docket Number:</b>	16-RGO-01
<b>Project Title:</b>	Regional Grid Operator and Governance
<b>TN #:</b>	214280
<b>Document Title:</b>	American Wind Energy Association and Interwest Comments on Second Revised Governance Principles and WSC Primary Authority
<b>Description:</b>	N/A
<b>Filer:</b>	System
<b>Organization:</b>	American Wind Energy Association/Tom Darin and Interwest Energy Alliance/Lisa Hickey
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	10/31/2016 3:27:19 PM
<b>Docketed Date:</b>	10/31/2016

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*Submitted On: 10/31/2016*

*Docket Number: 16-RGO-01*

**AWEA and Interwest Comments on Second Revised Governance Principles and WSC  
Primary Authority**

*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](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 American Wind Energy Association and the Interwest Energy Alliance (AWEA/Interwest) appreciate the opportunity to offer comments on the California Independent System Operator's (CAISO or ISO) second revised proposal on *Proposed Principles for Governance of a Regional ISO* ("ISO's second revised proposal" or "second revised proposal"). AWEA/Interwest are supportive of a transition to a regional grid operator, as a regional market structure will capture the benefits and overall efficiencies gained from the consolidation of balancing authorities and market functions, as well as allowing California, and other Western states, to more readily access some of the highest quality wind in the country to efficiently and cost-effectively achieve renewable portfolio standards and clean-energy goals.

The second revised proposal, along with the *Western States Committee (WSC) Primary Authority Discussion Paper* and the revised proposals in the Regional Resource Adequacy and Regional Transmission Access Charge stakeholder initiatives are helpful in creating a clearer picture of how the regional ISO would function and where responsibilities would lie. Through the other stakeholder initiatives, and in the following comments, AWEA and Interwest offer some suggestions for additional areas for further consideration. In related comments on the WSC's primary authority, AWEA and Interwest suggest consideration of other areas where the WSC input and authority may be appropriate. Generally, the governance proposal continues to improve and provide a reasonable starting place for an independent, well-functioning regional ISO which provides the states within its footprint significant input on areas where states should be acutely involved.

Therefore, AWEA and Interwest generally support the direction that the ISO has taken in the second revised proposal. The Second Revised Regional Governance Proposal offers additional clarity and some positive modifications. Below, AWEA and Interwest offer specific comments on each of the principles. Most significantly, AWEA and Interwest seek two modifications to the current proposal. First, the governance principles should be revised to ensure that a fully independent board is sat *no later than* the date the first regional Participating Transmission Owner (PTO) joins the market. Second, AWEA and Interwest believe that the voting proposals incorporated into the second revised proposal offer a reasonable balance for the various interests, but we suggest a modification to one specific voting rule. Specifically, for approval of the appointment of independent Board members, we believe a unanimous vote of the Approval Committee should be required.

### **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.

AWEA and Interwest appreciate the details that the ISO has added to this principle. As it currently is structured, this principle provides a rational process for addressing concerns that a proposed ISO policy initiative would materially diminish or impair state or local authority. Under this construct it will be critically important that the ISO Board, which sits with the WSC to determine if the proposed policy initiative diminishes state or local authority, is a fully independent Board. Therefore, as discussed more under principle #4, the transition to a fully independent Board should happen *no later than* the time the first significant regional Participating Transmission Owner joins the regional market.

In addition, it may be valuable for the Transitional Committee to develop specific governance details that would provide a timeline under which the process for determining whether a proposed policy initiative diminishes local or state authority must be completed or, at the very least, initiated. Inclusion of a timeline within the more detailed governance plan may help to ensure these issues are addressed in a timely manner.

### **2. Transmission Owner Withdrawal**

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

As previously stated, AWEA/Interwest support the inclusion of this provision and appreciated the details regarding withdrawal with were provided in the previous governance principles document.

### **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.

The changes made to the Transitional Committee in the second revised proposal help provide additional clarity, ensure representation from critical industry stakeholder sectors, and ensure each sector can work through its own means to determine its appropriate representative, while giving the ISO Board some latitude to add additional participants if the resulting slate is not regionally diverse. The broader characterization of end-use customers on the Transitional Committee was a positive change in this version of the proposal, as end use customers are the ultimate beneficiaries of a regional market through enhanced reliability, lower electricity rates, and increased ability to integrate renewables.

The modification to the proposal, which allows entities to self-select their representatives, is also a positive change, as allowing each sector the ability to select the individual it feels best represents its interests should enhance the composition of the Transitional Committee and each stakeholder sector's faith in the committee.

The modifications to the provisions for approval of the Transitional Committee's proposal also appear to be improvements over the last version of the document. The current provisions strive for the development of a consensus-based proposal and also limit the Board's ability to modify a consensus-based proposal that is ultimately delivered to the Board for approval. AWEA and Interwest support these modifications to this governance principle.

#### **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.

AWEA and Interwest appreciate the addition of a 36-month deadline to complete the transition to a fully independent Board. However, despite the addition of this provision, it is unclear how the 36-month requirement will line up with the potential entrance, or "go-live" date, for a new, regional Participating Transmission Owner (PTO). It will be critical to align the timing of the transition to a fully independent board with the integration of a new regional PTO, such that at the time the new PTO is integrated a fully independent Board is in place. AWEA and Interwest encourage the addition of language to this principle that would stipulate "the fully independent board must be sat no later than the date the first PTO integrates into the regional ISO." This will be important for a number of reasons, including those outlined in AWEA/Interwest's comment on principle #1.

#### **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.

The two-step nominating and approval process outlined in the second revised proposal appears to provide a solid foundation for nominating and approving new independent board members and provides significant roles for both stakeholders and state representatives, while giving state representatives the ultimate authority over seating new Board members. The supermajority voting provisions outlined in principle #5 will help push both the Nominating Committee and the Approval Committee towards consensus. But AWEA and Interwest believe that it may be beneficial to require unanimous consent for approval of independent Board members by the Approval Committee.

On critical issues, such as selecting the individuals that will be nominated and approved to sit on the ISO Board, the goal should be for consensus among the various interests. The second revised proposal appropriately strives for consensus on these decisions. AWEA and Interwest generally support the supermajority voting provisions that have been outlined as they provide a reasonable basis for decision making given the diverse set of interests. However, for the critical decision of approving the slate of Board nominees, it may be not only practical, but also may facilitate a more collaborative and cooperative working relationship among the various states to require a higher standard of approval for the slate of Board nominees.

The current voting provisions for seating the slate of Board nominees, which require 75% of voting members that represent at least 75% of the load, will require near unanimity among the representatives serving on the Approval Committee. Thus increasing the threshold to unanimous consent for approval of Board members is not a large change, but may seem more attractive to states concerned about the potential for one state to have veto power in approving Board nominees. Experience from the EIM Governing Board Nominating Committee demonstrates that consensus and agreement is possible in these circumstances.

AWEA and Interwest suggest that the 75% voting requirement should remain in place for the Nominating Committee (and the WSC, as discussed more in principle #6), but for the approval of Board nominees, the governance principle should require unanimous consent from all those serving on the Approval Committee. AWEA and Interwest are optimistic that the proposed nominating and approval processes will help facilitate the development of trust among the various states early in the development of the regional ISO. Requiring full consensus among the states on the Approval Committee, as suggested by AWEA and Interwest, might enhance this type of trust building.

## **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.

AWEA and Interwest appreciate many of the clarifications and revisions that have been made within this principle. The most controversial modification in this principle is the addition of specific voting rules for areas within the WSC’s primary authority (as currently proposed establishing the system-wide Planning Reserve Margin and allocating costs for policy-driven transmission projects impacting more than one sub-region). AWEA and Interwest appreciate that there are diverse viewpoints on the specifics of voting within the WSC. Across the board, states are interested in ensuring their votes are recognized and are meaningful in the WSC’s decision-making.

As currently proposed the WSC voting structure, for areas within the committee’s primary authority, would require an affirmative vote of at least six of the seven states that would presumably participate if PacifiCorp joined and, furthermore, would ensure that California was one of the states that voted in favor of the measure. Achieving this voting target will be inherently difficult and will, more than likely, drive the WSC towards consensus-based decision making. AWEA and Interwest support driving the group towards consensus-based decision making and believe this principle may help to achieve that. If implemented in conjunction with AWEA and Interwest’s recommendation that Board nominees be approved by the Approval Committee with unanimous consent, we believe that there will be an opportunity to build trust and collaboration among the states early, which will continue to foster consensus-based decision making in the areas of WSC primary authority.

## **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.

AWEA and Interwest have previously provided support for this principle.

**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.

This principle helps provide clarity on when the governance plan becomes effective and provides a path for California to ensure that the ultimate proposal is consistent with whatever direction may be approved by the Legislature. AWEA and Interwest generally support this principle.