

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	214283
Document Title:	Utah Office of Energy Development Comments on Regional ISO Governance and WSC
Description:	N/A
Filer:	System
Organization:	Utah Office of Energy Development/Dr. Laura Nelson
Submitter Role:	Public Agency
Submission Date:	10/31/2016 3:38:55 PM
Docketed Date:	10/31/2016

Comment Received From: Dr. Laura Nelson

Submitted On: 10/31/2016

Docket Number: 16-RGO-01

Utah OED Comments on Regional ISO Governance and WSC

Additional submitted attachment is included below.



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Office of the Governor

DR. LAURA NELSON, Ph.D.
Energy Advisor
Executive Director, Office of Energy Development

October 31, 2016

California Energy Commission

Re: Docket #: 16-RGO-01 (Regional Grid Operator and Governance)

Since proposal of a western Regional Transmission Organization (RTO) in 2015 to include California and the PacifiCorp Balancing Areas, the Governor's Office of Energy Development and other State offices have tracked the issue, participating in stakeholder processes addressing resource adequacy, transmission access charges, greenhouse gas compliance, and governance. The significance of regional integration to the State was reflected in Governor Herbert's March 2, 2016 letter to Governor Brown. That letter highlighted governance as a central and preeminent aspect of proposed regional expansion – a priority that continues. Governance is so critical that it should be thoroughly settled before the Western States Committee and Transitional Committees are created.

Although the State of Utah is taking this opportunity to comment on the *Second Revised Proposal: Principles for Governance of a Regional ISO*, it is appropriate to also comment on the process. The California ISO and the California Energy Commission have expended commendable effort to solicit the perspectives of states and other stakeholders to formulate this proposal, but the process has not been regionally-driven. Rather, it has been driven by a single state, which is an unpromising foundation for a multi-state RTO that should be broadly equitable, efficient, and durable. One valuable catalyst for a truly regional process would be a demonstration to each of the affected states of net benefits that might result from regionalization. Without such a demonstration, states are left to weigh potentially onerous costs of integration against vaguely-defined benefits.

Utah's underlying requirements for regional integration remain unchanged from Governor Herbert's March letter: preservation of State sovereignty, policies, competitive power rates, and system reliability. Endorsement of a regional RTO by Utah will be contingent not on the abstract principles reviewed below, but on whether those principles are implemented in a way that meets Utah's requirements. While Utah will remain engaged with the current process, a regionally-driven alternative would offer the most favorable prospects for achieving that standard.

Sincerely,

Laura Nelson
Energy Advisor



Stakeholder Comments

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

Submitted by	Organization	Date Submitted
Dr. Laura Nelson (810) 538-8732	Governor's Office of Energy Development	October 31, 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.

Developing the process now is preferable to deferring it to be developed by the Transitional Committee. Unfortunately the WSC load-based voting scheme severely undercuts the protections that Section 1.3 was intended to provide.

2. Transmission Owner Withdrawal

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

While Utah is not requesting any changes to this section, practical economic impediments may make withdrawal difficult, even if the regional governance plan does not do so explicitly.

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 Transitional Committee remains problematic for two reasons: composition and scope of authority.

While an extensive slate of stakeholders is to be expected, the effect is to dilute the influence of any state. State representatives will apparently be only seven members of a Committee numbering at least fifteen. A requirement for unanimous state approval has been dropped from the Transitional Committee voting mechanism, severely weakening state representation. Moreover, a previously proposed representative of a state-sanctioned ratepayer advocate has been subsumed into a broader consumer advocate category. In that sense, state representation has been diminished even from the previous proposal.

While the scope of decisions deferred to the Transition Committee has been narrowed, too many critical decisions, including those related to selection of the ISO Board remain.

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.

Given the many organizational and political obstacles to be overcome, mandating a transition completion date seems problematic. What will happen if the transition to a new Board is not completed within 36 months of the new regional governance plan? Utah cannot endorse the outcome of a process that is still so indeterminate.

This indeterminate transition period, during which the most crucial, formative decisions of an expanded ISO will be made, underscores the importance of the following comments submitted by the state of Utah on July 6, 2016, and reiterated here: "The Regional Board must, instead, be fully independent from the outset of regional expansion activity, including at the time of creation of a Transitional Committee of stakeholders. Otherwise regional trust and consensus seem unlikely or even impossible."

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 Nominating Committee is apparently a subset of the Transitional Committee that includes nine sectors but no state representation. The load-based voting scheme of the WSC, (acting as the Approval Committee), gives California a unilateral veto of a slate of Board nominees even if unanimously supported by all other states. (Equally problematic would be California using the threat of veto of one slate to force approval of a different slate.) Thus, there is nothing in the proposed Nominating Committee and very little in the Approval Committees to suggest that Utah would have a meaningful voice in selection of the Regional ISO Board.

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.

Addressing the WSC scope of authority now is preferable to deferring the issue to future resolution through the Transitional Committee. As noted earlier, the proposed load-based voting scheme gives California unilateral veto power. The proposal asserts that the WSC voting scheme fosters consensus-building, but load-based voting actually promotes the opposite.

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.

The root cause of many of the obstacles to the stakeholder processes is that the processes are driven by a single state, on a timeline dictated by that state's legislative calendar. The result has been an overlap of multiple processes on a schedule that does not allow sufficient time for education and resolution of complex issues necessary to build region-wide support.

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.

Shifting development of a regional governance plan from the Transitional Committee to the ISO Board does nothing to improve representation of state interests or reduce uncertainty about the eventual plan. Neither the Transitional Committee nor the ISO Board represents any state.

Stakeholder Comments

Western States Committee (WSC) Primary Authority Discussion Paper

Submitted by	Organization	Date Submitted
Dr. Laura Nelson (810) 538-8732	Governor's Office of Energy Development	October 31, 2016

Stakeholders are encouraged to use this template to provide comments on the *Potential Topics within the Primary Authority of the Western States Committee* Discussion Paper and Draft Proposal 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.

1. Please indicate your organization's overall level of support for the ISO's proposal regarding potential topics for the primary authority of the WSC.

To indicate level of support, please select one of the following options: (1) Fully support; (2) Support with qualification; or, (3) Oppose. Please provide an explanation of your organization's position. (For example, if your organization fully supports, please provide reasons for your support. If your organization supports with qualification, please describe your qualifications or specific modifications that would allow you to fully support the proposal. If your organization opposes, please explain why you oppose the proposal.

The proposed topics of primary WSC authority, (and the roles of states in general), are too narrow to be supported at this time.

2. The ISO's discussion paper identified at page 5 certain factors that may be relevant in establishing whether a particular topic within the categories of Resource Adequacy or transmission cost allocation should be within the primary approval authority of the WSC. Please provide any comments you may have on whether the factors that have been identified are the correct ones or if other factors or criteria should be considered.

The factors are generally appropriate, but the requirement that an issue affect all or most of the regional footprint is too restrictive. Even issues that only affect a portion of the regional footprint may be appropriate areas of primary authority.

3. The ISO's discussion paper identifies the system wide planning reserve margin target as a topic within RA that should be within the primary approval authority of the WSC. Please comment on this aspect of the proposal. Please also comment on whether there are any other specific topics within the category of RA for which the WSC should have primary approval authority.

System-wide Planning Reserve Margin of RA is a very narrow area of primary authority for the WSC. Also, the proposal leaves some uncertainty about the implications of the WSC being unable to reach a decision in an area of "primary approval authority." Principle 6.8.c reserves for the ISO Board the ability to file at FERC without WSC approval "to remedy a market flaw that poses a material risk to ratepayers," but that criterion should be better explained. On its face, the proposal suggests that the ISO could bypass the WSC, even in an area of primary approval authority, if load-based voting allowed California to unilaterally veto a conclusion favored by all the other states.

4. The ISO's discussion paper identifies as a topic for the WSC's primary approval authority cost allocation between sub-regions for policy driven projects that support policy mandates of, or provide benefits to, more than one sub-region. Please comment on this aspect of the proposal. Please also comment on whether there are any other specific topics within the category of ~~RA~~ TAC for which the WSC should have primary approval authority.

Cost allocation for policy-driven projects that benefit more than one sub-region is also an overly restrictive area of primary responsibility for the WSC. The WSC is proposed to have primary approval authority over policy-driven projects that benefit more than one sub-region, but not policy-driven projects that benefit a single region. Determination of whether a project benefits a single sub-region or multiple sub-regions would be made by the ISO, but the proposal does not explain how disagreement about the number of benefitted sub-regions would be resolved. Suppose, for example, that the ISO determined that multiple sub-regions benefitted, while WSC members representing one of those sub-regions contended that it did not benefit. How would that be resolved?

The WSC draft proposal suggests that if the WSC did not determine otherwise, a default cost allocation would be applied. Given the ability of California to unilaterally veto any WSC decision, the load-based voting scheme effectively gives California the ability to force adoption of default cost allocation even in this area of primary approval authority.

5. Please comment on any other topics that your organization feels should be included in this proposal.

In general, the proposal seems to anticipate that the WSC will operate largely by consensus, but that outcome is by no means assured. The governance proposal should clearly explain the operational implications of a WSC that might be unable to reach consensus due to the diversity of western states in size, policies, and generation portfolios.