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Additional submitted attachment is included below.

Silicon Valley Power Comments
on the
Revised Proposal, Principles for Governance of a Regional ISO

The City of Santa Clara, doing business as Silicon Valley Power (SVP), a publicly owned electric utility (POU) in Northern California, is happy to submit these Comments on the Revised Proposal, Principles for a Governance of a Regional ISO (July 15, 2016). Although the time to digest the comments and positions expressed at the Joint Agency Workshop on the Proposed Regionalization of the Independent System Operator, held July 26, 2016 has been *extremely* limited and the situation is quickly evolving, SVP believes it is important to provide its opinion on the issues that are apparent at this time.

General Comments

Support of CMUA Statement

First, SVP wishes to express its support for the comments provided the by California Municipal Utilities Association (CMUA). CMUA carefully enunciates the most important concerns of publicly owned utilities, including SVP, in California and has worked hard to ensure that these issues are fully expressed during the regionalization proceedings.

Statutory Requirements

SB 350 requires benefits to be studied and governance documents to be submitted to the Legislature in making any statutory changes to facilitate regionalization, while the CAISO's assessment of the benefits has been published, the governance documents have not been made public. SVP requests that the documents be published for public review before they are presented to the legislature.

The Studies

SVP agrees with CMUA that near term benefits for the CAISO/PacifiCorp footprint are negligible. The claimed \$18 million dollars in production savings, small in comparison to the total annual market transactions on CAISO and PacifiCorp, is not large enough to warrant rushing resolution of key market issues and could easily be swamped by large costs, which we wish to point out, have yet to be studied and analyzed during the regionalization stakeholder process. SVP believes that given the uncertainties, long term economic benefits to regionalization are best considered as a range of potential benefits. As stated by CMUA, such long term benefits (which are estimated to be only 2-3% of California consumers' bills) may be offset by understated costs and other assumptions.

Governance

Market Advisory Committee

SVP is also concerned that no movement has been made toward formation of a Market Advisory Committee that interfaces directly with the Board of Governors of any regional ISO. This type of stakeholder structure is a necessary “check and balance” in any sound governance structure, will help create a culture of collaboration and consensus within the regional ISO, and will help inform decision making on many highly technical matters.

Transitional Committee

SVP shares CMUA’s concerns with the current Transitional Committee proposal. SVP notes that many important issues are being deferred to the Transitional Committee, so fairness in its structure and selection is essential.

- The Revised Proposal includes 4 out of 9 proposed sectors that are purely generation developers and marketers, many of whom significantly overlap with each other. This skews representation away from load serving entities or entities with both load service and supply responsibilities.
- The proposal that the ISO Board would select from the two candidates each sector puts forward is problematic. This sets up a process that dilutes the self-selection process that led to the composition of the Energy Imbalance Market (EIM) Transitional Committee and puts the ISO in a position of being lobbied by sectors with respect to Transitional Committee formation. While the EIM Transitional Committee did rank candidates, it did not pit individuals against each other. SVP notes that the EIM transitional Committee rankings were not made public, but it is not clear from the Revised Proposal that the Regional ISO Transitional Committee rankings will not be public. The Revised Proposal establishes an overly political process that is not in keeping with what must be a collaborative process if the Transitional Committee is going to succeed.
- Requiring unanimous approval from each affected state provides the states too much power. Each state will have their regulatory approval processes that will be followed to enable new Participating Transmission Owners to join the ISO. If concerns over governance are so strenuous, that can be reflected when the state exercises its authority to grant or not grant applicable regulatory approvals. One state should not be able to stand in the way of a governance proposal agreed to by all others.
- The proposal still provides unclear or overly broad scope of duties to the Transitional Committee. For example, the interrelationship between primary policy authorities of the Western States Committee (WSC) and filing rights of the ISO is a key matter that should be addressed up front rather than delegated to the Transitional Committee.
- SVP agrees with the comment by the Transmission Agency of Northern California (TANC) that a very important aspect of the charter of the Transitional Committee should be the creation of a robust stakeholder process.

Western States Committee

SVP agrees with CMUA's position that in order to fully reflect the load ratio share of public power within the region, two public power representatives on the WSC are necessary. Depending on the participation of public power systems in the ISO, there should be the opportunity for such members to become voting members of the WSC.

Stakeholder Participation

SVP agrees with TANC's position that there is a need for the stakeholder process for the regional ISO to be at least as strong as CAISO's current stakeholder process in ensuring transparency and allowing for robust stakeholder input.

Conclusion

SVP believes that these are critical decisions being considered that will have long-term financial and policy impacts for California. As experienced in industry restructuring, once a path has been set, its consequences can be difficult to predict or control. Therefore, given the meager short term benefits of regionalization, California should take the time to carefully deliberate the alternatives.

Submitted by

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