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# Summary of Stakeholder Comments to Revised Proposal Principles for Governance of a Regional ISO dated July 15, 2016\*

## 1. Preservation of State Authority

Commenters broadly support the preservation of States' authority as set forth in the Principles, though various parties sought further development of the process by which a determination could be made as to whether a proposed ISO policy would "materially diminish or impair state authority." Parties generally did not support a mandatory capacity market, but supported a voluntary capacity market, or mandatory capacity market by unanimous vote of the Western States Committee or Regional Board of Governors

**ISO response: The ISO has developed a proposed process for determining whether a policy initiative would materially diminish or impair state authority. The process is set forth in Principle 1.3.**

SCL: Seattle City Light supports the ISO's conclusion that mandatory, forward capacity markets connected to regional resource adequacy requirements should not be part of the potentially expanded ISO; would be interested in the development of voluntary capacity markets, if there was sufficient market interest.

Energy Users Forum: Although the proposed revisions are an improvement, the "binding provisions to protect and preserve state authority" should allow for more general preservation than just "matters regulated by the states themselves..." and allow the states to maintain any jurisdiction they deem prudent if consistent with the law and not inconsistent with the existence of the Regional ISO.

AWEA: The refined language helps ensure that a capacity market could be developed, should every state participating in the regional ISO and every Board member desire this outcome. AWEA/Interwest also appreciate that the revised proposal indicates that the Transitional Committee would need to develop a process by which a determination could be made as to whether a proposed ISO policy would "materially diminish or impair state authority."

PAC: PacifiCorp continues to support the revisions articulated in the Revised Governance Principles that the regional ISO's new governance structure will include binding provisions to protect and preserve state authority over matters currently regulated by the states themselves. PAC appreciates the clarification revisions in the provision that prohibits the ISO from proposing or endorsing any centralized market for forward procurement of electric capacity products. PAC strongly supports the revised provision that any change to regional ISO bylaws or other corporate governing documents that relate to state authority must require unanimous approval by both the new ISO Board and the Western States Committee.

TANC appreciates that the Revised Governance Proposal provides that the Transitional Committee will develop a process to determine whether actions by the regional ISO would materially diminish or impair state or local authority. However, CAISO's Revised Governance Proposal does not give adequate consideration to the role of public power. Ensure that public power has an appropriate role in the regionalization process and must focus on preserving and providing equitable weight to their local authority

EDF, Union of concerned scientists, CEERT: The revised governance proposal prohibits mandatory capacity markets without unanimous approval by the Western States Committee, but allows states the option of joining capacity markets. It may be useful to have the Western State Committee vote (non-unanimously) on the creation of any capacity markets.

ICNU: ICNU appreciates the incorporation of direct stakeholder feedback in this principle of the Revised Proposal. Specifically, the ISO added explicit text stating that the regional governance documents will include binding provisions protecting and preserving state authority over "matters the ISO does not touch at all such as retail rate making." ICNU believes that this express stipulation may avoid considerable controversy in state regulatory proceedings involving

future PTOs of a regional ISO. The ISO has positively demonstrated a legitimate regard for and a willingness to reflect stakeholder concerns.

NRG: NRG remains concerned with any prohibition on a regional ISO considering a centralized capacity market. As noted in NRG's earlier comments, such a prohibition raises a host of legal, policy, and jurisdictional issues. Further, the regional ISO should be able to develop the optimal market construct without restrictions.

Six Cities: the Six Cities all support local control over planning and operating policies to the maximum extent possible. The Six Cities do not consider it feasible to establish in advance a comprehensive, bright line distinction between policies that should remain subject to state or local control and policies that must be applied consistently in order to maintain reliability and efficiency; therefore, neither support nor oppose at this time the general description of provisions designed to preserve state authority. Strongly oppose implementation of a mandatory centralized capacity market for the RISO footprint that the RISO by-laws require a unanimous affirmative vote of the Western States Committee before the RISO could propose or endorse a mandatory centralized capacity market for the RISO. Recommend that the bylaws require a unanimous affirmative vote of the RISO Board (in addition to the Western States Committee) before the RISO could endorse or propose establishment of a mandatory centralized capacity market.

## **2. Transmission Owner Withdrawal**

**General support was given for the inclusion of the provision to allow for transmission owner withdrawal**

**ISO response: The ISO appreciates the comments. Based on the comments, the ISO concluded that no further revisions were warranted for this Principle.**

AWEA/Interwest: support the inclusion of this provision and also support the additional detail the ISO has provided in the revised proposal.

PacifiCorp: PacifiCorp continues to support the principle that the regional governance structure must ensure the right of participating transmission owners to withdraw from the ISO, either voluntarily or in light of an order by their state regulator. PacifiCorp believes that the language as drafted is appropriate for establishing a basic principle, but notes that additional detail needs to be developed through appropriate stakeholder processes.

IEP: the principle of Transmission Owner Withdrawal provides the means by which entities dissatisfied with the Regional ISO Governance may extract themselves. State authorities and the governing boards of POUs have great influence over their jurisdictional entities in terms of investment, policies, and programs. This controlling-authority and dynamic is not impaired if an entity participates in a single-state ISO/RTO, in a regional ISO/RTO, or any other structure governing electric grid operations.

ICNU: the ISO has improved upon future safeguards for potential PTOs by clarifying that the right of withdrawal from a regional ISO may be taken "unilaterally" and "regardless of the reason."

## **3. Transitional Committee of Stakeholders and State Representatives**

**Various commenters recommended that Transitional Committee member nominees should be both nominated and selected directly by each sector (in lieu of the ISO Board selecting from two nominees identified by each sector).**

**Various commenters recommended revisions to the sectors, including several commenters who supported an additional sector for end use customers, and consolidation of supply/seller groups. There was also general support for the Transitional Committee to adhere to California open meetings requirements. One stakeholder commented that the transitional committee should define what constitutes an imminent threat to reliability that would allow the ISO to file at FERC without WSC approval.**

**ISO response: The ISO has made revisions to the proposed sectors in response to the various comments received on that topic. The ISO has also removed the provision permitting the ISO to choose from two proposed sector representatives and replaced it with a provision that requires the sectors to select only one proposed representative who will serve on the committee. The Second Revised Proposal narrows the scope of issues that the Transitional Committee will consider. More detail has also been provided with regard to the processes that the Transitional Committee will use to vote on and submit its proposal to the ISO Board for final review and the Board will use in reviewing the proposal.**

TANC: TANC appreciates the proposal that the ISO Board will adopt a charter describing the processes the committee will follow to develop and submit the regional governance plan, including open meetings. In this regard, 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. TANC is concerned with the proposal to allow the CAISO Board to select one representative for the Transitional Committee from two that are proposed. TANC would prefer to allow each sector to elect its own representative for the Transitional Committee.

Seattle City Light: looks forward to participating in the Transitional Committee stakeholder process. In establishing the Transitional Committee City Light strongly recommends that potential participants approach the assignment as a working committee, and not something they simply attend. [...] where the committee members devoted substantial time and effort to its success.

Energy Users Forum: We urge that the proposal be modified to (i) add an End-Use Customer Sector for representatives of medium and large energy ratepayers, including those entities that represent commercial, industrial, agricultural and institutional consumers before a PUC or at the CAISO and (ii) modify the State-Sanctioned Ratepayer Advocates to include reputable organizations such as The Utility Reform Network (TURN) which represent that interests of residential and small commercial ratepayers before a PUC. We would prefer that each sector appoint its own representative rather than the ISO Board selecting between two candidates. The ISO Board can appoint additional members if the people selected by the sectors are not geographically diverse.

California Large Energy Consumers Association: The Transitional Committee needs more end-use customer representation. The sectors should be expanded to include another end-use customer sector, and advocates for large end-use ratepayers – including industrial customers – should not be excluded. The sectors should choose their own representatives. The CAISO Board should be allowed to make additional appointments if needed for greater regional diversity for the Transitional Committee as a whole. Each stakeholder sector should be limited to two total representatives on the Transitional Committee. It should also be clarified that the Transitional Committee will conduct its meetings in compliance with California's open meetings requirements. There should be multiple opportunities for stakeholder participation and comments in the process. CLECA appreciates the revised timeline that gives up to 12 months for the Transitional Committee to complete its work. CLECA reiterates its earlier recommendation that the 12-month completion time be a target, not a firm deadline.

PG&E: the Transitional Committee includes at least four different stakeholder sector categories for electric resource providers versus only one, narrowly tailored sector representing end-use electricity consumers. PG&E recommends elimination or consolidation of two of the four resource provider categories and the addition of at least one additional category for medium and large end-use electricity consumer representation.

AWEA/Interwest: Generally, AWEA/Interwest believe that the Transitional Committee approach and composition is appropriate. Going forward, it may be advisable to create a seat for large energy users (including commercial, industrial and agricultural users) and their representatives to participate in the Transitional Committee. We encourage strong consideration of the merits of including large energy users on the Transitional Committee as the final governance principles move forward.

PacifiCorp: PacifiCorp continues to strongly support use of a transitional committee charged with implementing the governance design. PacifiCorp also ardently supports the revisions in the Revised Proposal which modify and explain the composition of the transitional committee and the public process it will use to develop a regional governance plan that implements the principles adopted. PacifiCorp agrees with the modification to allow each stakeholder sector to select two candidates from different states. In addition, PacifiCorp supports development of a separate and distinct sector for consumer advocates and a membership seat in the federal power marketing administrations sector. Finally, PacifiCorp supports the modifications in the Revised Proposal that provide that the governance plan must be approved by, at least, each state representative and for the transitional committee to strive to complete work in nine to twelve months, instead of the originally proposed six months.

CDWR: Given the importance of the SWP for the California economy, the uniqueness of the SWP operations and the SWP's role in the CAISO power markets, CDWR believes that it should participate in developing the details of the regional governance plan by having a representative on the transitional committee of stakeholders and state representatives.

Bonneville Power Administration: The Revised Proposal provides additional clarity on the purpose and composition of the Transitional Committee that will be formed to recommend the bylaws and voting procedures for the regional ISO Board. This includes representation on the Transitional Committee for PMAs. Bonneville appreciates the revisions. Bonneville continues to urge that the Transitional Committee should first focus on the process for determining how to select an independent ISO Board and then how to construct a governance proposal that is centered on collaborative process and strives for consensus solutions.

Southern California Edison (SCE): SCE notes the membership may lack a core California representation of participants currently in the CAISO's market. It will be important to also provide adequate California representation given the extent of the California transmission system and transmission owners who will be in any expanded ISO. Importantly, the Transitional Committee is tasked with determining the scope of authority of the Western States Committee concerning transmission costs allocation. Additional clarity regarding how the Transitional Committee will receive input and make recommendations on this, and other key issues, should be provided.

WRA, WGG, NRDC, NWEA, UCE, Vote Solar, & Sonoran Inst.: PIOs support the use of a transition period and the formation of a Transitional Committee of Stakeholders to enable the CAISO to transition to an RSO. We are concerned with the membership structure of the Transitional Committee as currently proposed. Of a 16-member Transitional Committee, seven members will represent state interests. Such a membership voting structure does not quite offer states a majority, but it certainly provides states with veto power over the final governance proposal. We recommend that this section be changed to ensure that no single sector is allowed to dominate the work and decision-making of the Transitional Committee. Ultimately, we believe the result should be that a final governance proposal developed by the Transitional Committee should not require unanimous approval of the state members (or any specific sector) of that committee. Rather, the work of the Transitional Committee should be consensus-based and should be representative of all stakeholder interests.

Public Generating Pool: Given the significant impacts associated with market design, a Market Advisory Committee is essential to the governance structure to assure appropriate representation on these issues. We recommend that the final governance proposal that is provided to the California Governor include a commitment to develop a Market Advisory Committee that has a direct line of communication to the Board and provides for representation of all ISO stakeholders, including those that are not within the ISO footprint.

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. The proposal that the ISO Board would select from the two candidates each sector puts forward is problematic. Requiring unanimous approval from each affected state provides the states too much power. 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. The proposal still provides unclear or overly broad scope of duties to the Transitional Committee. 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.

SMUD: SMUD supports the formation of a Transitional Committee (TC) to develop certain details of the regional governance plan. However, in what appears to be recognition that the August 31 legislation timing is premature, the Revised Principles defer important governance decisions to the TC. The governance proposal should include a MAC as a core principle, the details of which may be developed by the TC.

CMUA: CMUA is deeply 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 will help create a culture of collaboration and consensus within the ISO, and help inform decision making on many highly technical matters. The steadfast refusal to commit to a MAC-type structure has not gone unnoticed. CMUA has a number of concerns with the current Transitional Committee proposal. The composition of the Transitional Committee is unbalanced. The Revised Proposal includes 4 out of 9 proposed sectors that are purely generation developers and marketers. CMUA also notes the oversight of direct representation of large energy consumers within the Transitional Committee. The proposal that the ISO Board would select from the two candidates each sector puts forward is problematic. Requiring unanimous approval from each affected state provides the states too much power. If concerns over governance are so strenuous, states may exercise their authorities and withhold applicable regulatory approvals. The proposal still provides an unclear or overly broad scope of duties to the Transitional Committee. The interrelationship between primary policy authorities of the Western States Committee and filing rights of the ISO is a key matter that should be addressed up front rather than delegated to the Transitional Committee.

Modesto: The CAISO Board's ability to select between a sector's proposed Transitional Committee candidates may be problematic. MID is concerned that this broad authority limits the benefits of self-selection and introduces an unnecessary and politically charged complication to the selection process. The Revised Governance Proposal appears to lean in favor of suppliers, with four out of nine identified sectors consisting of more wholly generators or "pure" suppliers, as opposed to entities that may also have load serving or consumer-driven responsibilities. MID also asks whether there is a role for Neighboring Balancing Authorities on the Transitional Committee, perhaps as an additional, representative sector.

LSA: several suggested refinements. They include: Revise the Transitional Committee selection process to allow stakeholder groups to select their own representatives; Define public comment opportunities during the Transitional Committee Process; Provide for Transitional Committee approval of the resulting governance proposal based on unanimous support of the participating states and a majority of the committee as a whole; Prioritize the issue of weighted voting in the work of the Transitional Committee; and Consult with FERC before finalizing the scope and structure of Section 205 filing rights. The ultimate selection of the sector representatives should be the choice of the sector groups and not the ISO. Sector members understand their own interests and needs best and have proven in the past they can and do select capable and collaborative representatives. With the addition of state representatives to the Transitional Committee there should also be less concern that broader regional interests will not be represented. The Transitional Committee section should better define how broader stakeholder participation will occur, beyond a commitment to open meetings. LSA recommends that Transitional Committee approval of the final governance proposal require both unanimous approval from the state representatives on the Transitional Committee (as indicated in section 3.7) and an overall majority of the committee as a whole. [...] recommends that voting details of the WSC be a top priority issue for the Transitional Committee [...]

Public Power: specifically commends the ISO for several notable improvements in the revised proposal as compared to the version of June 9, 2016. Such improvements include a more direct process for transitioning to an independent regional ISO Board, [...] and greater details regarding the selection of the Transitional Committee (TC). The list of representatives on the TC provides for disproportionate representation by some groups of stakeholders, while limiting representation by others. Representation by POU's should be expanded to include at least two separate seats -- one for

municipal or public utility district utilities and one for cooperatives, with consideration of one additional seat to ensure geographic diversity for public power utility representation. Section 3.4 allows the ISO Board to choose from the candidates put forth by each sector, which provides the current Board with unrestricted authority in selecting TC membership. The EIM Transitional Committee was self-selected, and worked well, and Public Power endorses that the same approach be used here. Public Power continues to urge the inclusion of a Markets Advisory Committee (MAC) as an essential component of a comprehensive governance structure.

ICNU: ICNU has a serious concern with the potential omission of certain consumer advocacy groups from the list of nine stakeholder “sectors” that would represent the region on the transitional committee. ICNU recommends either: 1) future clarification on this issue; or 2) the creation of one or more additional stakeholder categories. ICNU believes it is possible and preferable to interpret “State-Sanctioned” advocacy groups as distinct from and representative of a broader category than “state-chartered consumer advocates,” as that term is used by the ISO elsewhere. ICNU is also concerned that a narrow interpretation of the “State-Sanctioned” advocacy sector could exclude representation from among these other ratepayer groups. Accordingly, clarification on this matter or the creation of one or more additional stakeholder sectors will be crucial to ensure that industrial and other nonresidential customers are not completely unrepresented on the transitional committee. As both consumers and power producers, industrial ratepayers have unique interests and added exposure to regionalization impacts which merit fair representation on the transitional committee. Finally, the ISO contemplates that the transitional committee would consider “[f]unding for consumer advocates. ICNU strongly supports such consideration, and believes that consumer advocates should have representation on the committee in order to determine future funding policy.

NRG: While NRG appreciates the CAISO’s intent to ensure geographically diverse representation on the Transition Committee, stakeholder sectors should be entitled to select their own representatives, and not have the CAISO Board make the final decision as to the sector’s representative. Additionally, while regional diversity is a worthy goal, giving the CAISO Board the authority to appoint an unknown number of additional representatives to promote regional diversity may skew the composition of the Transition Committee. Absent a Transition Committee charter, it is difficult to judge the reasonableness of provisions that make the final composition of the Transition Committee uncertain.

Six cities: The Six Cities recommend modification of two aspects of the Transitional Committee proposal: (i) the eligibility criteria for states that can participate in the Transitional Committee are unduly restrictive. Because the Transitional Committee will be charged with developing the foundational governance documents for the RISO, excluding a state from that development process on grounds that no Transmission Owner within that state has yet entered into an MOU or other agreement expressing interest in joining the RISO could reduce the potential for that state to permit or encourage participation by Transmission Owners within the state at a later time. (ii) If, however, broad participation in the Transitional Committee is invited and allowed, no state or small number of states should have the ability to block adoption of a governance proposal supported by a critical mass of other states that wish to implement a RISO. The Six Cities do not support the proposal that the Transitional Committee’s governance proposal must be supported unanimously by the state representatives on the Transitional Committee. Support by a super-majority of state representatives on the Transitional Committee (perhaps 75%) would be a more appropriate requirement. In addition, there should be a requirement for at least simple majority support by sector representatives for a Transitional Committee proposal to be submitted to the CAISO Board to ensure that there is a reasonable level of support for that proposal from market participants other than state representatives.

EDF, Union of concerned scientists, CEERT: Our organizations continue to emphasize the importance of establishing decision-making processes that support meaningful public participation and include representatives from stakeholders including environmental advocates, clean energy technology providers, ratepayer advocates and labor unions. We applaud the inclusion of renewable energy, distributed generation, public interest and customer representatives in the transitional committee - it is essential that these sectors maintain equal voting rights throughout the transitional period.

ORA: The transitional committee should define what constitutes an imminent threat to reliability that would allow the ISO to file at FERC without WSC approval.

#### **4. Transition Period**

Several stakeholders expressed support for the change made in this draft to a direct transition from the current ISO Board to a new regional ISO Board, rather than having a transitional Board. Clarification on the timing of the transition period was also requested. Some stakeholders supported the seating of new regional board members within 18 months after the regional governance plan becomes effective. One stakeholder recommended retaining the existing Board for a limited period of time.

**ISO response: The Second Revised Proposal eliminates the deadline for starting the transition and instead establishes a deadline of three years for completing the transition. It also clarifies that sitting Board members may be appointed to serve on the regional board beyond the transition period, but only if they are selected to do so through the new nomination and approval process established in the principles.**

AWEA/Interwest: The revised “transition period” which eliminates the initial board concept is a vast improvement over the initial proposal. The revised proposal also vastly reduces the amount of time required to transition the ISO into a regional organization overseen by an independent Board. [We] believe that, going forward, additional clarification on the timing of the transition period would be useful. While we understand that many of the details associated with the process and schedule for seating new Board members would be developed by the Transitional Committee, AWEA/Interwest would appreciate clarification on this point at a later date. AWEA/Interwest encourage expeditious transition to a nine-member Board and suggests that the nine-member Board should be seated no later than 18 months after the regional governance plan becomes effective.

PacifiCorp: PacifiCorp strongly supports the modifications in the Revised Proposal to dispense with a transitional board and to transition from the existing board to a new independent board through a new nomination and approval process developed by the transitional committee. PacifiCorp also supports the added timing of seating new members within 18 months after the regional governance plan becomes effective.

Bonneville Power Administration: Bonneville notes that the Revised Proposal provides a course for moving more directly from the current CAISO Board to an independent ISO board without creating an interim Board. Bonneville recommends that any final proposal include seating of a new independent board to be in place when the ISO expands. Bonneville also recommends the existing CAISO Board be retained to complete remaining tasks specific to current CAISO functions for a limited period of time. Additionally, Bonneville again seeks clarification on whether and how the EIM Board and the Regional ISO Board will work together, possibly as one more specific assignment to the Transitional Committee.

#### **5. Composition and Selection of Regional ISO Board**

The general sentiment is that the ISO has made significant progress in modifying the structure and composition of the future Board, and support for further development of a new two-step nomination and approval process by the transitional committee was expressed. Some expressed concern that there is no clear plan to include representatives from the renewable, Distributed Energy Resources, and public interest sectors in a permanent stakeholder board for the regional ISO. Finally, one commenter asked for further information regarding why the proposal recommends having nine members serve on the regional ISO governing Board. Public interest groups, including the representative for that sector who had served on the nominating committee for the EIM governing body, recommended that the public interest/consumer group sector representatives be given a voting seat rather than an advisory seat in order to further promote collaboration and consensus-building within the committee

**ISO response: 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. The Second Revised Proposal includes supermajority voting provisions that are intended to ensure a high degree of collaboration and consensus-building among the participants in this process. Moreover, the voting rule for the Approval Committee ensures that concerns of both large and small states are fully considered because even a relatively small number of states or a small amount of total load could block approval of a candidate. The Second Revised Proposal establishes a set of guidelines that the Transitional Committee would follow in developing the sector representatives who would serve on the Nominating Committee., The revised proposal would make those representatives of public interest/consumer groups voting members of the nomination committee. The ISO settled on a nine member board because it is large enough to ensure that the Board is able to meet its fundamental responsibilities, including having enough members to serve on various Board committees (such as the audit committee), but small enough to enable the Board to operate efficiently.**

AWEA/Interwest: We appreciate the ISO's responsiveness to stakeholder comments and, especially that the ISO has made significant progress in modifying the structure and composition of the future Board and creating an approval system with multiple checks and balances to help ensure final governance structure is amenable to the diverse set of states and stakeholders across the Western Interconnection. AWEA/Interwest strongly support the modifications made to this principle. The nomination and selection process proposed would appear to continue to ensure that states participating in the regional ISO have a strong role in both nominating and electing future Board members of the organization.

IEP: States and state-based governing authorities (e.g. publicly-owned utilities or POU's) have an abundance of tools to manage matters that fall within their domain, and the concept of a Regional ISO Board does not affect or undermine these existing tools or authorities.

PacifiCorp: PacifiCorp reiterates its support of the Revised Proposal which states that the transitional committee will develop a new nomination and approval process that will be used on a going forward basis. The Revised Proposal provides for a two-step nomination and selection process, which would be used for at least the transition period, with the details to be developed by the transitional committee.

EDF, Union of concerned scientists, CEERT: We applaud the inclusion of renewable energy, distributed generation, public interest and customer representatives in the transitional committee. At the same time, we are very concerned that there is no clear plan to include these representatives in a permanent stakeholder board for the regional ISO or to have a stakeholder committee in the regional ISO structure at all. Rather, the plan leaves such a fundamental issue to be determined by the transitional committee. It is absolutely essential that this committee includes renewable energy, distributed generation, and environmental representatives, and we further recommend including consumer and labor voices. Critically, the regional ISO must ensure that the process by which sector stakeholders engage, elect representation and vote on proposals is meaningful and not susceptible to marginalization. In addition, decisions must be based upon data that can be accessed by stakeholders. Having fair processes for all stakeholders and participants is critical to the functioning of the market and cannot be left to be determined by the transitional committee. The governance proposal must ensure that there will be fair processes for stakeholders and outline these basic issues.

## **6. Establishment of a Western States Committee**

**Stakeholders generally support the creation of the WSC put forth in the proposal, however, there were differing opinions on the role and scope of authority. Some stakeholders supported the authority of the WSC as defined in section 6.6 while others commented that the WSC should not be given primary or final authority over issues, rather that the WSC should be strictly an advisory committee. Some commented that the Transitional Committee should be given deference to define the WSC's area of primary authority, while at least one stakeholder commented that this**

had the potential to derail the important work of the Transitional Committee. Several expressed that the areas of WSC authority set forth in principle 6.6 were too limited and felt that the language should be broader to encompass topics traditionally regulated by states. Many supported the provisions of section 6.8 that give the ISO 205 filing rights under specified conditions. Some sought clarity on whether the CAISO will seek FERC approval of the proposal to allow the WSC to have primary authority over Section 205 filings regarding the areas of its primary authority. At least one stakeholder believes that only FERC-approved organized markets and transmission owners have Section 205 filing rights and that they cannot be denied their Section 205 rights, and suggested an alternate approach, allowing the regional board to make its own Section 205 filings at any time. There were differing opinions on the topic of voting in the WSC. Many supported a hybrid voting approach, offering that an acceptable voting rule could include a load-weighted vote incorporated with the provision that a majority of all voting state members must also agree. Others emphasized that California would make up a majority of the load in a CAISO-PacifiCorp regional ISO, and maintained, therefore that a voting rule weighted in favor of California is appropriate. Others expressed support for the voting rule in section 6.7 only if a load-based structure will not result in an effective California veto. Most stakeholders appreciated the addition of a non-voting representative from both Publicly Owned Utilities (POU) and a federal power marketing administration (PMA), however, several recommended that the requirement for the public power representative be from within the ISO footprint be removed, and that the principles be revised to permit public-power voting authority on the WSC. There were also several recommendations for a minimum of two POU representatives on the WSC. Finally, at least one stakeholder recommended that the composition of the WSC be revisited should a significant amount of publicly-owned entities join the regional ISO.

**ISO response:** In response to concerns from POU, the proposal relaxes the provision that limited the types of individuals that may serve as POU/PMA representatives to the WSC. The ISO also made edits to remove language that had created a misimpression that the proposal intended to limit the scope of issues on which the POU/PMA members may provide input. The ISO also increased the number of POU representatives from one to two. Revisions clarify that the WSC will generally perform its work in open session and that all members of the public, including staff, will be invited to attend and participate. The ISO proposes a requirement that a proposal must be approved by at least 75% of voting members representing at least 75% of total load. The revised proposal also removes references to the Transitional Committee on topics that are no longer expected to be deferred to that body for determination. The ISO has decided to work on addressing this “scope of authority” issue now, rather than deferring it to the Transitional Committee, principally because this issue is closely related to the ongoing stakeholder efforts devoted to regional resource adequacy and transmission access charge options. The ISO has developed a discussion paper and draft proposal that makes suggestions for topics within these areas that should be subject to the WSC’s primary authority.

**ORA:** ORA recommends modifying the Revised Principles to clarify whether the CAISO will seek FERC approval of the proposal to allow the WSC to have primary authority over Section 205 filings regarding transmission cost allocation and resource adequacy (and possibly other matters central to state regulatory responsibilities), prior to the end of the period for obtaining states’ approval for PacifiCorp to join the expanded ISO. The Transitional Committee should play the lead role in determining topics within the primary authority of the WSC. “Within the subject areas of transmission cost allocation and resource adequacy” appears more narrowly worded than the similar principle in the prior draft that provided for “primary authority over regional ISO policy initiatives on topics within the general subject areas of transmission cost allocation and aspects of resource adequacy.” ORA recommends that the Revised Principle 6.6 be construed to give the Transitional Committee deference to define the WSC’s area of primary authority, based on areas of traditional state jurisdiction and potential impact to ratepayers. It is critical to maintain load-weighted voting in the WSC. It is important that the ISO governance respect the policies of each of the states whose participating transmission owners (PTOs) are part of the ISO. It is equally important that the governance structure ensures that current CAISO ratepayers, who have funded the CAISO and existing transmission infrastructure, and are likely to pay the GMC other costs based on load share, are not burdened with more than their fair share of costs for decisions that impact the entire expanded ISO. The transitional committee should define what constitutes an imminent threat to reliability that would allow the ISO to file at FERC without WSC approval. The Revised Principles should clarify the process for funding the

WSC. The Revised Principles should allow consumer advocates and staff from state commissions or energy offices to participate in WSC meetings. GHG accounting is not directly related to governance, so ORA supports the removal of GHG accounting from the Revised Principles. The adoption of consistent, regional GHG emissions tracking system is necessary to ensure California remains on track to reach its GHG goals. The accounting mechanism should be in place and clearly defined before other states determine whether to allow their utilities to join. ORA also supports a “mitigation plan” in the event that the proposed regionalization has unintended consequences for GHG emissions, such as the delayed retirement of coal plants.

Seattle City Light: Seattle City Light supports the creation of the WSC as proposed by the ISO and appreciates the inclusion of a representative from both Publicly Owned Utilities (POU) and a federal power marketing administration (PMA). We remain concerned that the ISO is proposing in section 6.4.a to limit the POU representative to only those POUs within the ISO footprint. We reiterate our suggestion that there be two POU representatives on the WSC, one from within and one from without the current ISO footprint. City Light is also concerned with the proposal in section 6.7 that the WSC use a form of weighted voting. Seattle recommends that the question of voting structure also be deferred to the Transition Committee for consideration, rather than being set forth here as a principle. If the ISO insists on setting it forth as a principle at this time, City Light recommends that consideration be given to including a “soft-cap” on load-based weighted voting to mitigate the risk that CA would, absent substantial expansion beyond the contemplated five additional PacifiCorp states, be able to out-vote all other states combined.

Energy Users Forum: EUF supports a hybrid voting protocol where both the number of members and the representational size of each member is taken into account when issues are decided. EUF supports giving the ISO the ability to file with FERC if reliability is threatened and the WSC is at a logjam. EUF further supports empowering the ISO Board to permit submission of the two proposals if a proposal approved by the WSC would create a reliability risk or violate a regulatory requirement. EUF fully supports giving the ISO the authority to file at FERC without WSC approval when there is a market flaw, or market participant behavior, that poses a material risk to ratepayers. We think that the period of inaction should not have to be “sustained”. Unless the risk is severe, in which the WSC should be required to take immediate action, the WSC should act within ten days after being presented with the risk and asked to vote, unless the circumstances dictate swifter action. The WSC can always propose an alternate course of action down the road if they can come to agreement.

California Large Energy Consumers Association: The Revised Principles allow the regional ISO to file with FERC in the areas of primary state authority if there has been “sustained inaction” by the Western States Committee (WSC) to “remedy a market flaw that could materially impact ratepayers.” What is a “sustained period of inaction”? What is a material ratepayer impact? More detail is needed. Section 6.4 includes two non-voting representative members of the WSC for Publicly Owned Utilities and federal marketing administrations - because these entities play a significant role in Western grid operations and wholesale markets. CLECA supports inclusion of these non-voting members and also urges inclusion of a nonvoting end-use ratepayer representative. The areas of authority for the WSC appear limited to just the Transmission Access Charge cost allocation and Resource Adequacy per section 6.6.4 This is too limited and may prove problematic; the language should be broader and the authority should encompass topics traditionally regulated by states. Regarding the voting rules for the WSC, other states must recognize that California makes up a majority of the load in a CAISO-PacifiCorp regional ISO; a voting rule heavily weighted in favor of California is, in CLECA’s view as a representative of California ratepayers, entirely appropriate. Over time, as the Regional ISO expands and the load share changes, this should adjust automatically.

PG&E: While PG&E could support a WSC with parallel filing rights, along the lines of the SPP and MISO states’ committees, PG&E does not support the open-ended pre-emption of ISO authority contemplated by the current proposal. Furthermore, the proposed mechanism does not, in our view, comport with the Federal Power Act and is unlikely to be upheld by FERC. Under the revised proposal, a more precise definition of what is meant by “certain” policy initiatives, and the “specific” topics to be covered by WSC authority, is left to the TC. PG&E is concerned that these are highly contentious matters, with the potential to derail the important work of the TC. PG&E, therefore, recommends that the ISO consult with FERC now to seek further guidance on these issues.

Public Power: in the description of the Western States Committee (WSC), states that the non-voting public power and PMA members "may not have work responsibilities that are directly related to market transactions" and will "provide input on matters of interest to public power entities and federal power marketing administrations." This language appears to place undue restrictions on the participation of public power and the PMAs with regard to both the individuals who are representing these entities and the nature of their participation. To allow for public power representation on the WSC that is more commensurate with its share of one-fourth of the load, there should be two non-voting public power members on the WSC, one from within and another from outside of California. Section 6.5 provides for possible staff participation in the WSC meetings. The role that such staff will play also needs to be clarified. Public Power also requests the same option for public power and PMA staff. The two PMAs in the region - Bonneville Power Administration and Western Area Power Administration - each have different resources, structures and statutory obligations, and would require two separate seats on the WSC to provide adequate representation. [...] it is recommended that the ISO consider a more balanced voting system.

AWEA/Interwest: While we supported the previously proposed WIRAB voting model in earlier comments, AWEA/Interwest also support the modification that would provide the Transitional Committee with additional flexibility in developing a voting rule that ensures a load-weighted vote is incorporated, while balancing the requests from other stakeholders to consider creative voting structures that might better appease the diverse interests of the Western Interconnection. While AWEA/Interwest understand the ISO's motivation for providing significant authority to the Western States Committee, especially in the areas of resource adequacy and transmission cost allocation, it appreciates that the ISO also added some minor checks and balances into the process to give the ISO slightly more authority to file tariff changes where there is sustained inaction by the Western States Committee or where reliability is immensely threatened. We encourage the relevant agencies to continue considering whether providing the ISO with more authority in this area would serve to incent the Western States Committee to come to agreement in these key areas of regional ISO operation.

PacifiCorp: PacifiCorp remains supportive of the provision in the Revised Proposal that calls for a body of state regulators to provide policy direction and input on matters of collective state interest. PacifiCorp appreciates and supports the following modifications to the Revised Proposal: • Changing the name to the Western States Committee and allowing a state to appoint a non-regulator representative to the committee. • The addition of a non-voting position for a representative of a federal power marketing administration. • The provision, to be further developed by the transitional committee, to allow the ISO to file tariff changes with the Federal Energy Regulatory Commission regarding the matters within the primary authority of the Western States Committee after a sustained period of inaction by the committee. • Clarification of the role and authority of the Western States Committee, including the voting structure for areas under its primary authority, which will include at least some form of weighted voting based on load. PacifiCorp supports this voting rule only if a load-based structure will not result in an effective California veto. There are multiple potential voting procedures which can effectively address this concern, such as including an additional voting rule that there must also be a majority of all voting state members.

Bonneville Power Administration: Bonneville appreciates the recognition of the importance of the PMA role. The final proposal should allow some flexibility for the scope of authority of the Western States Committee to be refined and guided by the Transitional Committee.

Southern California Edison (SCE): SCE supports a Western States Committee in an advisory role on issues identified in the proposal such as resource adequacy and transmission cost allocation. However, SCE would not support the committee having "primary authority" or "final" authority over these issues. Additional clarity on how the Western States Committee will reach opinions on transmission cost allocation, transmission planning, and project selection should be provided. Specifically, SCE recommends the CAISO provide additional explanation on how transmission projects within the expanded footprint will be proposed, reviewed, selected and approved, and provide clarity on the roles of the new ISO board and the Western States Committee in this process.

CDWR: Given the importance of the SWP for the California economy, the uniqueness of the SWP operations and the SWP's role in the CAISO power markets, CDWR believes that it should participate in developing the details of the

regional governance plan by having a representative [...] on the contemplated Western States Committee (or an equivalent body) or, alternatively, that the role of an advisory member(s) of that Committee

WRA, WGG, NRDC, NWEA, UCE, Vote Solar, & Sonoran Inst: Throughout the governance stakeholder process, PIOs have consistently advocated for a strong role for states in the RSO. As we understand it, members would be designated by each state so that representatives could be from a state energy office or regulatory commission (or elsewhere), depending on each state's preferences. We can support this change, as it offers membership flexibility for the future WSC and still enables robust input from states to the RSO board. We also acknowledge that not all RSO participants may be regulated by state regulatory commissions and so it seems overly limiting to require a future RSO's state advisory body to be comprised of state regulators only. Ultimately, the WSC should be a non-political body, comprised of members who possess the relevant skills and interests necessary to engage with FERC and the RSO board on market structures, rates, and assessing the needs and benefits of new transmission. PIOs appreciate the removal of the WIRAB voting model requirement from the governance proposal and reiterate our concerns with that voting model as reflected in our July 7 comments. Rather, it is the opinion of PIOs that if weighted voting is ultimately adopted for the WSC, it should be structured in a way so as to fairly represent the diverse range of interests across the region and to encourage consensus building in all forms of WSC decision-making. In regard to Section 205 filing rights of the WSC, we appreciate that the revised governance proposal offers additional backstop authority for the future RSO board. However, the proposal still provides the WSC with primary authority over Section 205 filings on issues of resource adequacy and transmission cost allocation such that the RSO would be unable to make Section 205 filings in these areas absent prior approval of the WSC. PIOs want to reiterate what we believe is FERC's interpretation of Section 205 filing rights – that only FERC-approved organized markets (ISOs, RTOs, RSOs) and transmission owners have Section 205 filing rights and that they cannot be denied their Section 205 rights. Instead of CAISO's current approach to Section 205 rights, PIOs recommend adopting the approach used by SPP's Regional State Committee (RSC). Under the RSC's approach to Section 205 rights, states are given a broad swath of authority, but the SPP board can make its own Section 205 filings at any time, without the need to first identify a sustained period of inaction by the RSC or an emergency threat to grid reliability. This approach strikes an appropriate balance, as it complies with FERC's interpretation of the Federal Power Act and gives both states and the future RSO board the authority to make Section 205 filings at FERC.

Public Generating Pool: To assure that the Western States Committee can fully represent all interests in the West, we recommend that the requirement for the public power representative be from within the ISO footprint be removed. Alternatively, we recommend that an additional public power non-voting representative from outside the ISO footprint be added to the Committee.

TANC: Publicly-owned utilities represent a significant portion of load and assets in the Western Interconnection and would not be adequately represented on the WSC by one non-voting representative. [...]it is not equitable, and must be revised to permit public-power with voting authority on the WSC. While TANC understands that the CAISO does not want to prescribe how other states will choose their representatives, these proposed limitations also raise concerns on the vagueness in the proposal on how states will choose their representatives. Public power entities in California have contributed to the development of the CAISO and the reliability of the integrated grid. Their voice should not be muted as the region expands. We believe that public power entities need a minimum of two (2) seats on the WSC and that these seats should be voting positions, not merely advisor.

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.

SMUD supports the expanded representation of the Western States Committee (WSC) so it is not solely limited to regulators. SMUD also supports the proposed advisory roles for public power on the committee. However, the scope of participation for publicly owned utilities (POUs) and federal power marketing administrations (PMAs) seems unduly restrictive. To ensure public power's vital role, public power participants on the WSC must be permitted to offer input on all matters coming before the WSC. In addition, SMUD is concerned that Section 6.6 of the Revised Principles improperly limits the authority of the WSC solely to transmission cost allocation and resource adequacy. SMUD suggests that there are other matters (e.g., greenhouse gas levels) that should fall under the committee's purview as well. SMUD

recommends clarification of the governance principles so that WSC may consider additional policy matters that we know of today, and new ones that may arise in the future.

CMUA: First, CMUA reiterates its position that in order to fully align with the load ratio share of public power within the region, two representatives on the WSC are necessary. Second, CMUA requests clarification with respect to the condition proposed for the nonvoting advisory seat for a public power entity. The Revised Proposal states that advisory members "may not have work responsibilities that are directly related to market transactions." This is a broad concept susceptible to interpretation. CMUA views this language as referring to energy traders whose primary responsibility is day-to-day involvement in power markets. CMUA requests that the ISO confirm this understanding. Additionally, it could be that several additional or large public power systems become Participating Transmission Owners. As such, CMUA recommends a reopening of this provision and a consideration of full representation on the WSC for public power representatives if a threshold trigger is met.

Public Power: specifically commends the ISO for several notable improvements in the revised proposal as compared to the version of June 9, 2016. Such improvements include a more direct process for transitioning to an independent regional ISO Board, [...] the inclusion of seats for both public power and the Power Marketing Administrations (PMAs) on the Western States Committee, and greater details regarding the selection of the Transitional Committee (TC).

Modesto: The Western States Committee ("WSC") should include additional Public Power representation. A single non-voting seat on the WSC (formerly known as the Body of State Regulators) does not allow for public power representation that is commensurate with its share of regional load. MID recommends one additional non-voting seat. [...], the governance proposal should affirm that the publicly-owned utility and power marketing administration members of the WSC have equal standing on nonvoting issues compared to voting members of the WSC. In addition, the governance proposal should expressly acknowledge that the WSC composition may be revisited should a significant amount of publicly-owned entities join the regional ISO. The WSC should include a weighted voting structure. The ability for the regional ISO Board to act in the event of "sustained inaction" by the WSC is overly broad. The parameters for the regional ISO Board to act if there is "sustained inaction" on issues within the WSC's primary authority raises questions. Stakeholders have an alternative remedy, should they see that inaction is leading to unjust and unreasonable results, by filing a Federal Power Act Section 206 Complaint at FERC. In the case that the term "sustained inaction" is preserved, this term needs to be clearly defined and should allow for the WSC to exercise its right to intentional inaction where appropriate.

ICNU: Once more, ICNU appreciates that the ISO has responded to stakeholder comments by making an explicit allowance for states to appoint non-regulator representatives to the WSC. ICNU also supports the creation of a position for a federal power marketing administration representative on the WSC, especially given the integral relationship that BPA will have with a regional ISO. ICNU has no issue with a provision to allow regulatory staff to participate in WSC meetings. However, ICNU strongly opposes explicit constraints on which consumer advocacy groups may participate in WSC meetings. As noted in the prior comment section, state-chartered consumer advocates do not represent the interests of all ratepayer groups. Thus, to allow for participation by a limited subset of "consumer advocates" would not just be unfair, but would also implicate serious questions of partiality if a state representative were to only allow for a certain ratepayer advocacy group to participate in WSC meetings. ICNU recommends, therefore, that principle 6.5 be revised, to either: 1) limit participation to neutral regulatory staff; or 2) remove any constraints as to which consumer advocacy groups may participate in WSC meetings. On revised principle 6.7, ICNU appreciates that the ISO has responded to stakeholder feedback once again, in scaling back the original proposal to require an affirmative WSC vote of "members representing at least a majority of load in the regional footprint. ICNU suggests that the ISO reconsider whether the weighted load voting design needs to be determined in such absolute terms at this stage, and not rather be included as a simple stipulation that weighted load voting will, at a minimum, be considered by the transitional committee. [...] states and stakeholders outside California are understandably reticent at this early stage to support a WSC with prescribed voting rules which may allow for California dominance.

Six cities: [...], participation in the Western States Committee should be limited to states in which Transmission Owners are participating in the RISO. A state in which a Transmission Owner has expressed interest in participating in the RISO

through execution of an MOU or other similar form of agreement should be permitted to participate in the Western States Committee in a non-voting role until a Transmission Owner within the state actually begins participating in the RISO. [ ] participation by representatives of publicly owned utilities in an advisory role in the Western States Committee is appropriate and necessary in light of the facts that publicly-owned utilities serve a substantial percentage of ultimate customers throughout the western region, and such customers are not represented by state regulatory authorities. The Six Cities also specifically agree with CMUA that publicly-owned utilities should have a minimum of two representatives in an advisory role on the Western States Committee ...[ ]. The Six Cities support the recommendation to allow a representative from a federal power marketing administration to participate in the Western States Committee in a non-voting advisory capacity, but participation by a federal power marketing administration representative would not eliminate the need for and should not preclude non-voting advisory participation by representatives of at least two publicly-owned utilities. Including a load-weighted voting provision is entirely appropriate if, as the Six Cities anticipate, many of the costs for the RISO will be recovered based on proportional load. Without load-weighted voting, representatives of states that would pay less than half of the costs relating to an action - - potentially far less than half - - could impose the bulk of the costs on ratepayers in California and possibly other objecting states. The Six Cities continue to support the two-tier voting structure [...] requiring a majority vote of the number of state representatives and of representatives for a majority of the load served by the RISO for approval of any action by the Western States Committee. Under the two-tier approach recommended in the Proposed Principles, California could not compel an action that would impose costs on other states without a majority of the total number of representatives supporting that action, but other states could not impose costs on California loads over its objections.

IEP: Even though the Revised Principles indicate that the role of the Western States Committee (WSC) will be informed by future discussions within the Transitional Committee, the WSC is given primary authority over matters that would “materially diminish or impair state or local authority”. Importantly, no specific definition is provided as to what would be material; what triggers a diminishment of authority; what would constitute impairment of authority; and, what ultimately is a matter of state or local authority. The Revised Principles state that “policy approval by the committee [WSC] would be a prerequisite to any ISO Section 205 filing with FERC in those areas” Section 205 filings are standard for the ISO to get FERC tariff approval to conduct its business. IEP does not support the concept of a WSC with a veto authority over 205 filings. The provisions related to the WSC are concerning as they also portend an organizational structure premised on an internal system of checks which undermines the independence of the Regional ISO Board. As a practical matter, weaving into the Regional ISO Board’s Bylaws a specific role for the WSC is unnecessary and unwarranted.

**LSA:** Weighted Voting and Section 205 Filing Rights LSA supports a weighted voting approach based on load share for the Western States Committee (“WSC”) and recommends that voting details of the WSC be a top priority issue for the Transitional Committee, In addition, while LSA generally supports the Section 205 filing rights refinements in the Revised Proposal, LSA remains concerned that the Revised Proposal may not meet FERC’s requirements for complementary filing rights.

## **7. Stakeholder Processes and Stakeholder Participation**

**There was support from various commenters for the establishment of a Member Advisory Committee that engages directly with the regional ISO Board. One stakeholder advocated for stakeholders to be involved in the formulation of the policy and proposal itself, while another proposed a stakeholder advisory committee that meets on a periodic basis to provide a valuable forum for consideration of broad issues that affect multiple market design elements. Some stakeholders commented that the ISO’s current stakeholder process functions well and opposed any significant changes to the existing framework, while others commented that the stakeholder process for the regional ISO should be at least as strong as CAISO’s current stakeholder process. Others felt that any changes to the stakeholder process should be considered by the transitional committee. Conversely, Public Interest Organizations cautioned against leaving the decision on formal stakeholder participation to a future Transitional Committee and encouraged the**

CAISO to instead establish a formal stakeholder process for the RSO to enable stakeholders to provide direct input to the RSO board. Thoughts on whether a funding mechanism should be created and allocated varied. Some stakeholders offered comments on who should receive funding while others opposed a regional ISO wide funding for consumer advocate bodies, stating that the states should be responsible for raising the funds through whatever mechanism they see fit to adopt. One stakeholder asked that a matrix of stakeholder comments and CAISO responses always accompany revised proposals. One stakeholder asked for clarification on the distinction between a “state-chartered” consumer advocacy group and a “State-sanctioned” consumer advocacy group in order to avoid future controversy.

**ISO response: The ISO has not proposed any further changes to this Principle at this juncture. This is an important topic and one that deserves further discussion among all stakeholders, both in comments on this Second Revised Proposal and ultimately in the Transitional Committee forum contemplated in this Principle. 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.**

Seattle City Light: City Light strongly reiterates its recommendation that a Member Advisory Committee be established as a matter of principle for the reasons previously stated.

Energy Users Forum: If a funding mechanism is created, it should (i) only provide reimbursement for travel expenses related to committee meeting attendance and (ii) be non-discriminatorily provided to all ratepayer representatives, not just the State-sanctioned consumer advocate bodies, to the extent that members of the committee are selected and not self-appointed. If entities volunteer to be on the committee and if expense reimbursement is provided, it should only be provided to entities that represent the interests of ratepayers, and only ratepayers, before a PUC.

California Large Energy Consumers Association: A matrix of stakeholder comments and CAISO responses should always accompany revised proposals; if staff has insufficient time to prepare this needed matrix, distribution of a revised proposal should be delayed to allow staff to prepare a matrix of stakeholder comments and CAISO responses. The Revised Principles punt the question of process improvements entirely to the Transitional Committee, along with questions regarding establishment of stakeholder committees and funding for some stakeholder participants. Some indication should be provided in this process that CLECA’s process improvement recommendations were read and are being considered.

AWEA/Interwest: AWEA/Interwest appreciate the additional clarity the ISO has offered on this proposal including the direction for the Transitional Committee to consider whether there should be a market advisory committee and whether intervenor funding for consumer advocates should be established.

PacifiCorp: PacifiCorp continues to support, as modified, the provisions of the Revised Proposal that suggest the transitional committee should consider changes to the ISO’s current stakeholder process to facilitate broad and robust stakeholder participation.

Bonneville Power Administration: Bonneville would like to see a stakeholder process where stakeholders are not simply asked to comment on a proposal, but where stakeholders are involved in the formulation of the policy and proposal itself. This could be accomplished in many different ways. One method that Bonneville supports is the creation of some form of an advisory committee of utilities and constituents from sectors in the ISO’s footprint that engages directly with the regional ISO Board. This will give the regional ISO the opportunity to hear directly from entities representing the major sectors in the ISO in one place. What role this committee would play can be determined later, but at the very least it should be a forum where major entities can advise the ISO on what is working, what is not, and what can be done better.

WRA, WGG, NRDC, NWEA, UCE, Vote Solar, & Sonoran Inst.: A Member Advisory Committee is preferred to a Market Advisory Committee, as it permits diverse and robust stakeholder participation that is not limited to market participants. PIOs caution against leaving the decision on formal stakeholder participation to a future Transitional Committee and encourage the CAISO to instead make clear at the outset that a formal stakeholder process will be established for the RSO to enable stakeholders to provide direct input to the RSO board. While the exact details of such a formal stakeholder process should be left to the work of the Transitional Committee, the importance of requiring a formal stakeholder process upfront for a future RSO cannot be overstated. To ensure that the RSO is viewed as transparent, trustworthy and accountable, the RSO board must be able to effectively engage with stakeholders in a meaningful way so that stakeholders feel ownership and can derive a keen understanding about their possibilities to derive benefits from RSO formation, expansion, and operations. This important end goal can be accomplished through the use of two stakeholder processes for the future RSO: (1) replicating CAISO's current issues-focused, informal stakeholder process whereby stakeholder input is organized around specific issues that require changes; and (2) a new more formal stakeholder advisory role through the formation of a MAC, enabling ongoing and direct stakeholder input to the RSO's board on any issue pertaining to the RSO's operations.

TANC supports a robust stakeholder process throughout the regionalization process and within the regional ISO. The CAISO currently does not limit who can be a stakeholder, provides notice of meetings on market issues, and allows public attendance at meetings. It should be ensured that the stakeholder process for the regional ISO is at least as strong as CAISO's current stakeholder process in ensuring transparency and allowing for robust stakeholder input; indeed it would be preferable to have a stakeholder process that is even more interactive than the current process. The stakeholder process should permit meaningful stakeholder input, not create red tape.

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.

ICNU: ICNU believes that the principle subpart should provide for transitional committee consideration of funding for all consumer advocacy groups that actively represent PTO ratepayers on a state regulatory basis. ICNU had interpreted the term "State consumer advocate bodies" broadly to include entities like ICNU, who regularly participate as intervenors in state regulatory proceedings of potential new PTOs. Although ICNU still believes that a broad interpretation should be applied here, given the need to consider "who would qualify for such funding," the additional qualification of state "sanctioned" entities introduces a potential lack of clarity to this principle or even the exclusion of certain entities. ICNU would also place importance on the distinction between a "state-chartered" consumer advocacy group and a "State-sanctioned" consumer advocacy group. To avoid future controversy, ICNU requests clarification of this principle subpart via supporting explanation or through modification of the text to specify that funding consideration will not be limited only to "state-chartered" consumer advocacy groups. Just as it would be unfair to allow only state-chartered groups to participate as advocates in regional ISO processes, it would be equally unfair to limit funding to only a narrow subset of consumer advocates.

The Six cities: The Six Cities do not oppose consideration of formal stakeholder committees, such as a stakeholder advisory committee. However, the Cities are opposed to abandonment or significant alteration of the CAISO's existing framework for stakeholder initiatives. A stakeholder advisory committee that meets on a periodic basis may provide a valuable forum for consideration of broad issues that affect multiple market design elements, but it would not be an adequate substitute for the type of iterative, detailed exploration of issues that occurs through the CAISO's existing stakeholder initiatives process. The Six Cities oppose RISO wide funding for consumer advocate bodies. The RISO governance framework should leave it up to individual states to decide whether to fund participation by consumer advocate groups in RISO processes and which groups to fund, if any. A state that wishes to fund one or more consumer advocate groups should be responsible for raising the funds to be provided through whatever mechanism it sees fit to adopt. The decision whether and how to fund consumer advocates and the responsibility for raising any such funds are quintessentially matters of state policy that can and should be left to state authorities and should not be addressed in the RISO governance framework.

## 8. Requirements for Plan to Become Effective, including Governor's Certification

Some commenters expressed support for clarifications that were made to this principle to make clear that changes to the governance of the CAISO would only become effective after the Governor's certification, and one suggested further clarification that governance would not change until integration of at least one additional balancing authority area. There was a suggestion a regional ISO Board and the Western States Committee be created and to function on a "shadow" or parallel basis prior to actual integration of another BAA with the CAISO BAA for the purpose of providing input into the development and/or implementation of other elements of the Regional ISO

**ISO response: The revised proposal makes revisions to this principle relating to the role of the transitional committee. The ISO has not made other changes at this time, as this principle is intended to establish only a high-level set of requirements necessary for governance to become effective. A separate requirement of integration of one additional balancing authority area was not adopted because this issue can be addressed through the Governor certification requirement.**

ORA: It is especially helpful to have clarified that changes to the governance of the CAISO would only become effective after obtaining "any necessary regulatory approvals" and the Governor's determination that changing the CAISO governance structure would be in the best interest of California and its ratepayers. The Revised Principles would benefit from explicit clarification of whether the CAISO will seek FERC approval of the proposed governance structure, and if necessary, modify the process so that it obtains FERC approval of the governance structure before PacifiCorp seeks authority to join the expanded ISO. This would allow other states to know whether FERC will approve the governance structure that allows the Western States Committee (WSC) the level of authority over transmission cost allocation and resource adequacy that is currently proposed. While the Revised Principles acknowledge that it is uncertain whether FERC would approve the authority proposed for the WSC regarding resource adequacy and cost allocation, including the proposed role for the WSC in section 205 filings in those areas, they do not state whether the ISO will seek FERC approval or guidance on those aspects of the Principles. The "Proposed Timeline for Regional Governance Plan" is similarly vague regarding if and when the CAISO will submit any ISO governance change filing to FERC and obtain necessary regulatory approvals before PacifiCorp seeks authorization to join the expanded ISO. The CAISO should clarify whether, in its view, FERC approval of the governance proposal is required before implementation and whether it intends to seek such approval. In particular, ORA recommends modifying the Revised Principles to clarify whether the CAISO will seek FERC approval of the proposal to allow the WSC to have primary authority over Section 205 filings regarding transmission cost allocation and resource adequacy (and possibly other matters central to state regulatory responsibilities), prior to the end of the period for obtaining states' approval for PacifiCorp to join the expanded ISO.

AWEA/Interwest: AWEA/Interwest support the clarification offered in the revised proposal and believes they should help to ensure that both the interests of all Western Interconnection states are preserved, as well as ensuring that California is provided with assurances that the final, more detailed governance proposal resulting from the Transitional Committee process, are in line with the principles that will presumably be approved by the California legislature. The Six cities: The RISO Board of Governors and the Western States Committee should not have any controlling authority over CAISO activities unless and until at least one additional BAA is integrated with the CAISO BAA. However, depending on when the RISO governance structure is approved, the Six Cities believe it may be beneficial for the RISO Board and the Western States Committee to be created and to function on a "shadow" basis prior to actual integration of another BAA with the CAISO BAA for the purpose of providing input into the development and/or implementation of other elements of the RISO framework. Alternatively, once the Transitional Committee completes the development of proposed governance documents, that committee could remain in place as a vehicle for providing guidance concerning other elements of the RISO design until another BAA integrates with the CAISO BAA and the RISO Board and Western States Committee assume formal authority.

## Other

CLECA: It remains unclear how the envisioned distribution marketplace will “play” alongside or even within an expanded, more regional entity’s markets; this was not explained at the Joint Agency Workshop; it should be addressed. Regionalization efforts must consider the need to keep industry in California and guard against emissions leakage. Under SB 350, the studies on the benefits of a more regional ISO do not need to be finalized or provided to the Legislature until the end of next year. More time is necessary.

IID: The proposal to merge CAISO into a for-profit corporation to be governed by a board controlled by energy resource owners has been a grotesque abuse of power and a massive waste of funds. The deliberative process has been carried out in secret, and public participation has been nearly non-existent. Many millions of dollars of public funds have been spent to aid the private business plans of the concentrated wealth interests behind the proposal. The CEC, CPUC, and CAISO have remained silent when asked to help to save San Diego from SCE’s plan to dump over 3,000,000 pounds of radioactive waste on its beaches, silence and claims of lack of jurisdiction was the response. However, when a billionaire puts forward his plan to take over California’s electricity grid, it sets off a “forward march” for the same officials. The plan to privatize and expand the CAISO is a bad idea. Its claimed billionaire benefits in remote years is pure speculation, unworthy of the able firms who put forward the claim

State Water Contractors: A robust discussion will continue to ensue on the governance models and how a regional ISO will affect utilities, climate policy, energy procurement, grid stability, and prices to end users. As you no doubt already realize, the current and future needs of the State Water Project (SWP) are considerably different than those of the utilities. The SWP is in a position to help advance a climate change agenda given its low existing carbon footprint and an ability to shape load to utilize local renewables without having to use new regional transmission. We seek a dialogue and specific proposals from the CAISO to address our unique circumstances so that our overall costs and benefits via regionalization would be at parity with the electricity utilities. During the past decade, transmission costs for the SWP (which are borne by the SWP contractors and ultimately ratepayers) have risen 500 percent in order to build out and help the state’s utilities meet renewable portfolio standard requirements and climate change goals under Assembly Bill 32. Meanwhile, the SWP is also one of the cleanest, most carbon-free, electricity users in the state, and it is an important contributor to grid stability in the CAISO markets. At this important stage in the regionalization process, the SWC asks that you take a proactive leadership role in identifying specific ways that regionalization and a modified rate/tariff structure would align costs and benefits for the SWP that are distinct from those that will emerge for the electric utilities and their different circumstances. Such a dialogue could result in a joint analysis by CAISO, SWC and DWR to better identify the costs and benefits specific to the SWP.

CDWR: CDWR believes that a successful governance model for a regional ISO should include a workable mechanism for ensuring preservation and protection of core interests of the member States and for providing an adequate representation of the various stakeholder interests.

## GHG

CLECA: commitment made by Stephen Berberich at the Joint Agency Workshop is encouraging. How the regional market structure would ensure compliance with California’s carbon policy is critical. There should be no further delay in the initiation of the GHG tracking and accounting initiative.

PG&E: PG&E supports the removal of GHG accounting as a governance principle

Public Power specifically commends the ISO for several notable improvements in the revised proposal as compared to the version of June 9, 2016. [...] the removal of a provision for tracking greenhouse gas provisions from the governance proposal.

*\*As requested by stakeholders, the ISO provides this summary of stakeholder comments. Any omission of a particular sentence or comment in this summary is not intended to exclude that comment for any reason other than to condense comments.*