

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	214270
Document Title:	Comments of Powerex Corp on Principles for Governance of a Regional ISO and Western States Committee Primary Authority Discuss
Description:	N/A
Filer:	System
Organization:	Powerex Corp./Mike Benn
Submitter Role:	Public
Submission Date:	10/31/2016 2:25:19 PM
Docketed Date:	10/31/2016

Comment Received From: Mike Benn

Submitted On: 10/31/2016

Docket Number: 16-RGO-01

Comments of Powerex Corp on Principles for Governance of a Regional ISO and Western States Committee Primary Authority Discussion Paper

Additional submitted attachment is included below.

**Comments of Powerex Corp. on
Second Revised Proposal on Principles for Governance of a Regional ISO and
Western States Committee Primary Authority Discussion Paper**

Submitted by	Company	Date Submitted
Mike Benn 604.891.6074	Powerex Corp.	October 31, 2016

Powerex appreciates the opportunity to comment upon CAISO's Second Revised Principles for Governance of a Regional ISO and CAISO's Discussion Paper addressing potential topics within the primary authority of the Western States Committee. In the draft principles and discussion paper, CAISO sets out a revised framework for the governance of a regional ISO, including providing additional detail regarding the authority and voting procedures of the Western States Committee. Powerex submits these comments for the limited purpose of addressing the proposed authority and structure of the Western States Committee.

I. Authority of the Western States Committee

Under CAISO's proposal, a Western States Committee consisting of one representative from each state within the regional ISO footprint would have primary authority over certain regional ISO policy initiatives involving resource adequacy and transmission cost allocation. More specifically, approval of the Western States Committee would be a prerequisite to any Section 205 filing by the regional ISO implicating market issues under the primary authority of the Western States Committee.

Powerex does not object to adopting a regional governance model that recognizes and preserves the historical authority of the states over certain aspects of resource adequacy and transmission cost allocation. Powerex also believes that a Western States Committee can play an important role in ensuring that a regional ISO develops in a manner that reflects and serves the interests of all states and customers within a regional ISO footprint.

It is important to recognize, however, that any governance structure must be designed in a manner that both respects the limitations, and supports the requirements, imposed by the Federal Power Act ("FPA"). Ultimately, any governance model adopted to accommodate the expansion of CAISO to a regional ISO will need to be approved by the Federal Energy Regulatory Commission ("FERC") and meet the principles that FERC has established for composition of ISO and RTO boards. In addition, the FPA requires that the accommodation of state authority not be pursued in a manner that impedes the development of efficient and non-discriminatory markets for energy, capacity, and ancillary services. For example, while it may be appropriate to allow the Western States Committee to play a role in determining the planning reserve margin used for the purpose of establishing resource adequacy requirements, any resource adequacy framework must be acceptable to FERC and, ultimately, lead to rates that are just and reasonable

and not unduly discriminatory or preferential. Likewise, although it may be appropriate for the Western States Committee to participate in transmission cost allocation decisions, the FPA requires that any allocation of costs follow cost causation principles.

For these reasons, Powerex agrees with those stakeholders who have argued that obtaining timely FERC approval of any governance proposal is a critical and necessary step towards development of a regional ISO. As stakeholders have observed, the draft governance proposal confers an unprecedented level of authority on the Western States Committee. Given the questions that have been raised regarding whether FERC would be willing to accept such a structure, Powerex believes that immediately following the conclusion of this proceeding, it would be both useful and appropriate to seek FERC review and feedback on the proposed governance structure through the submission of a petition for declaratory order. Timely seeking FERC feedback upon agreement of a conceptual structure for governance in this proceeding would provide additional certainty to states and stakeholders as they proceed with regionalization efforts, including efforts to establish a resource adequacy and transmission access charge framework for an expanded regional ISO footprint. In order to receive FERC's review and to identify any FERC concerns with elements of the proposal as soon as possible, Powerex suggests that perhaps timely submission of a petition for declaratory order be considered. This will help ensure that the states and stakeholders have the ability to make necessary amendments to the structure, to achieve a workable governance framework that both protects the interests of the states and is capable of obtaining FERC approval.

II. Voting Structure of the Western States Committee

In its proposal, CAISO sets out a load-weighted voting structure that would apply to initiatives within the primary authority of the Western States Committee. Specifically, in order for any proposal within the primary authority of the Western States Committee to be approved, "it must receive affirmative votes from at least 75% of the voting members of the committee representing at least 75% of the total load within the ISO footprint."

Powerex requests clarification regarding the requirement that certain specified initiatives be affirmed by voting committee members representing "at least 75% of the total load within the ISO footprint." In particular, it is unclear whether the load that would count for determining whether this threshold was met would be limited to load served by a transmission owner that elects to integrate into the CAISO footprint as a Participating Transmission Owner (e.g., PacifiCorp) or would include all load within the relevant state – even where the transmission owner only serves a portion of load within the state. Given the importance of the load-weighted voting structure in determining the relative power of states within a regional ISO footprint, Powerex requests clarification of the manner in which load will be counted towards meeting the 75% requirement.