

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	214285
Document Title:	Comments of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, CA ("Six Cities")
Description:	N/A
Filer:	System
Organization:	Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, CA ("Six Cities")
Submitter Role:	Public
Submission Date:	10/31/2016 3:59:09 PM
Docketed Date:	10/31/2016

Comment Received From: Bonnie S. Blair

Submitted On: 10/31/2016

Docket Number: 16-RGO-01

**Comments of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and
Riverside, CA ("Six Cities")**

Additional submitted attachment is included below.

In the Matter of:)	Docket No. 16-RGO-01
)	
Regional Grid Operator and Governance)	SECOND REVISED PROPOSAL ON
)	PRINCIPLES FOR GOVERNANCE OF
)	A REGIONAL ISO; POTENTIAL
)	TOPICS WITHIN THE PRIMARY
)	AUTHORITY OF THE WESTERN
)	STATES COMMITTEE

The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively referred to as the “Six Cities”) hereby submit the following comments on the Second Revised Proposal on Principles for Governance of a Regional ISO (“2nd Revised Governance Proposal”) and Potential Topics within the Primary Authority of the Western States Committee Discussion Paper and Draft Proposal (“WSC Topics Proposal”), both submitted by the California ISO (“CAISO”) on October 7, 2016.

I. COMMENTS ON THE 2nd REVISED GOVERNANCE PROPOSAL

The Six Cities generally support the framework for governance of a regional ISO (“RISO”) outlined in the 2nd Revised Governance Proposal and specifically support the following elements:

- Inclusion of a provision in the RISO bylaws or other corporate governance documents that prohibit the RISO from proposing or endorsing a mandatory centralized capacity market absent unanimous approval of the Western States Committee (“WSC”) (2nd Revised Governance Proposal at 4);
- The proposed process for identifying and resolving issues relating to a proposed policy that would materially diminish or impair state or local authority (*Id.*);
- The inclusion of two representatives from publicly-owned utilities and one representative from a Power Marketing Agency as non-voting, advisory members of the WSC (*Id.* at 10, 12);
- Provisions clarifying that the WSC will generally perform its work in public open session (*Id.* at 12); and
- Two-tiered voting for matters within the primary authority of the WSC, such that an affirmative vote of at least 75% of voting members representing at least 75% of total load would be required for approval of any proposal regarding such a matter (*Id.* at 10-12).

The discussion below includes further input on some of these topics, as well as recommendations to modify eligibility to participate in the Transitional Committee and eligibility to vote on WSC

matters, to supplement avenues for stakeholder participation, and to provide vehicles for further input in development of detailed rules for RISO implementation.

Potential for Development of Centralized Capacity Market - - In addition to requiring an unanimous affirmative vote of the WSC, the Six Cities also recommend that the bylaws require an unanimous affirmative vote of the RISO Board before the RISO could endorse or propose establishment of a mandatory centralized capacity market.

Transitional Committee - - The Six Cities agree with most of the proposed features of the Transitional Committee as described at pages 5-7 of the 2nd Revised Governance Proposal. However, the Six Cities recommend modification of the eligibility criteria for states that can participate in the Transitional Committee to be less restrictive. The results of the SB 350 studies suggest that broad participation in a RISO is likely to maximize the overall benefits of regionalization. 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. It would be counter-productive to exclude from the Transitional Committee activities any state that is interested enough in a RISO to participate.

Western States Committee - - The Six Cities agree with most of the proposed features of the WSC as described at pages 10-13 of the 2nd Revised Governance Proposal. However, the Six Cities believe that eligibility for voting participation in the WSC may be too broad. In contrast to the eligibility criteria for participation in the Transitional Committee, which should be inclusive, as discussed above, participation in the WSC 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 WSC in a non-voting role until a Transmission Owner within the state actually begins participating in the RISO.

The Six Cities strongly support provisions requiring the WSC to conduct its work in public open session (*Id.* at 12), as noted above. All WSC sessions dealing with policy, operations, market design, market performance, rates, and other market issues should be public; the only exemptions should be discussion of confidential personnel matters or litigation matters.

As noted above, the Six Cities strongly support inclusion of load-weighted voting for the WSC as recommended at pages 10-12 of the 2nd Revised Governance Proposal. 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. If California load would pay the majority of costs relating to a measure being considered by the WSC, it is reasonable that such costs not be imposed on California over the objections of its representative by representatives of other states covering less than half of the load served by the RISO. 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. Such an outcome would not be justified.

The two-tiered voting structure recommended in the 2nd Revised Governance Proposal strikes a reasonable balance that will promote consensus-building efforts in the WSC decision-making process. Under the recommended two-tiered approach, 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. A small number of state representatives - - as few as two initially - - could block WSC action with which they disagree. At the same time, other states could not impose costs on California loads over its objections. Under this approach, all WSC representatives would have strong incentives to craft proposals broadly acceptable to participating states.

Stakeholder Processes and Stakeholder Participation - - The Six Cities support establishment of a formal stakeholder advisory committee and believe that such a committee, meeting on a periodic basis, can provide a valuable forum for consideration of broad issues that affect multiple market design elements.

However, a stakeholder advisory committee alone 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. Under the CAISO's stakeholder initiatives process, the CAISO identifies issues relating to market design features and, either in the initial paper or a subsequent "straw proposal," recommends solutions to the identified issues. All interested stakeholders typically have the opportunity to comment on the CAISO's proposals, both verbally in stakeholder meetings and in written comments. The CAISO considers and responds to stakeholder comments in a revised straw proposal or a draft final proposal. Stakeholder initiatives that involve complex or extensive revisions to the CAISO Tariff or market design features often involve multiple rounds of proposals followed by an opportunity for stakeholder comments. Although this iterative process does not always lead to complete consensus, it allows stakeholders the ability to request additional information and facilitates full airing of differing views. Moreover, the process often results in narrowing any disagreements among stakeholders and the CAISO before proposed tariff amendments are submitted to the FERC, thereby reducing the burden of regulatory proceedings for the CAISO, stakeholders, and FERC. For these reasons, the Six Cities would oppose abandonment or significant alteration of the CAISO's existing framework for stakeholder initiatives. A stakeholder advisory committee should supplement, not replace, the CAISO's existing stakeholder processes.

Effectiveness of the Governance Plan and Input for Development of Other Elements of the RISO Design - - 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.

II. COMMENTS ON THE POTENTIAL TOPICS WITHIN THE PRIMARY AUTHORITY OF THE WSC

The Six Cities also agree generally with the description of topics that would be within the primary authority of the WSC and specifically support inclusion of the following topics:

- System-wide Planning Reserve Margin target (WSC Topics Proposal at 3, 6-7); however, as discussed below, there also should be formal provisions requiring consultation and coordination with the Western Electricity Coordinating Council (“WECC”) with respect to the PRM.
- Cost allocation for new policy-driven or economic transmission projects (*Id.* at 8-9).

As noted above, the Six Cities urge the CAISO to supplement the Governance Principles to provide specifically for coordination and consultation with WECC with respect to the development of the system-wide PRM. The WSC may provide valuable input on policy considerations, but the members of the WSC do not have responsibility for grid operations and reliability. In light of WECC’s technical expertise and responsibility for operational reliability, its involvement in the development of the system-wide PRM is essential to ensure that the PRM takes into account the dispersion and location of planning reserves in a potentially very large regional BAA.

Submitted by,

Bonnie S. Blair
Rebecca L. Shelton
Thompson Coburn LLP
1909 K Street N.W., Suite 600
Washington, D.C. 20006-1167
bblair@thompsoncoburn.com
202-585-6900

Attorneys for the Cities of Anaheim, Azusa,
Banning, Colton, Pasadena, and Riverside,
California

October 31, 2016