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Summary of Stakeholder Comments to Second Revised Proposal Principles for Governance of a Regional ISO dated October 7, 2016*

*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. Full sets of comments submitted by stakeholders can be viewed on the [CEC webpage](http://www.energy.ca.gov/sb350/regional_grid/documents/) for docket 16-RGO-01: http://www.energy.ca.gov/sb350/regional_grid/documents/

1. Preservation of State Authority

Stakeholders asked for clarification that any state/local challenges under Principle 1.3 will be handled in a public process that allows others to participate and that other parties besides the state and local entities will be allowed to initiate a challenge. At least one stakeholder suggested an option for terminating an initiative if consensus could not be reached. Various individual stakeholders sought clarification or refinement of various aspects of Principle 1.3 or the narrative explanation describing that provision. Stakeholders expressed various views on a capacity market; one suggested requiring a unanimous affirmative vote of both the WSC and a RISO Board before endorsing a mandatory centralized capacity market, while another felt that prohibiting the expanded ISO from proposing and implementing a capacity market in the future was too restrictive.

CA ORA: ORA recommends that either a majority of the WSC board or a majority of the WSC load would trigger the requirement that the combined WSC and CAISO board vote as a combined body to determine whether the proposed policy would “materially diminish or impair the state or local authority.” The initial definition of the scope of state and local authority in the context of an expanded ISO may ultimately be more important than the process adopted for determining whether a future initiative impairs state authority. [...] whether a new ISO initiative would materially impair state or local authority will likely be determined on a case- by- case basis

PIOs: PIOs seek clarity on the process CAISO is considering for determining whether a proposed new RSO policy initiative would materially diminish or impair state or local authority. It appears that CAISO is proposing to establish a process for making these determinations, taking into account input from the Western States Committee as well as the CAISO Board. It is not clear whether such an approach would continue once the new RSO Board is seated and, if so, how it might change. It is similarly unclear what would qualify as a “new policy initiative” (that could potentially diminish state authority) that would be subject to this new process.

PAC: PacifiCorp supports the proposed revisions to Section 1.3 of the Second Revised Governance Principles, which provide details for a process to determine whether a proposed policy initiative would materially diminish or impair state or local authority. PacifiCorp understands that this process will give state and local authorities the opportunity to raise concerns with ISO staff, the ISO Board, and the Western States Committee, prior to approval of any policy for filing with the Federal Energy Regulatory Commission.

WIEC/UAE: While the revised Section 1.3 contemplates a procedure for voicing concerns over state autonomy concerns and heightened voting requirements if a majority of the ISO Board or WSC concludes that a proposal would materially diminish or impair state or local authority, this is insufficient to preserve state autonomy. The governing agreements and tariffs must all affirmatively ensure that local and state authority cannot and will not be materially impaired. The spirit of Principles 1.1 and 1.3 should also apply to the WSC’s cost allocation decisions associated with state policy-driven projects. [...] costs associated with state policy-driven projects should be borne solely by those states that support the policy-driven project and affirmatively accept those costs. [...] matters of state autonomy must be preserved, this concept should apply equally to the allocation of costs associated with state policy-driven projects. WIEC and UAE are concerned that, notwithstanding Principle 1.1, certain proposed regional ISO policies will diminish the current authority of state regulators. Regional ISO governance documents must specifically ensure that state and local regulatory authority over resource

adequacy policies and actions are preserved, including in areas of load forecasting, planning reserve margin and resource procurement.

LSA: LSA appreciates the CAISO's continued emphasis on preservation of state authority and hopes that this will provide the necessary assurances to stakeholders and policy-makers to move the regional ISO proposal forward.

SEIA: SEIA believes that the preservation of state authority over energy policy in each respective state is a vital element of governance.

CMUA: CMUA supports the concept that state authority should be preserved whenever possible. However, it is impossible to not observe that without specific application of this concept to market design or cost allocation issues, the concept has little meaning. Resource counting rules, for example, would be in the Tariff and subject to FERC jurisdiction. The Principles use the term "materially diminish or impair state or local authority." This phrase simply cannot capture the interaction between ISO rules and state authority. The ISO rules will greatly affect or completely determine overall cost, cost responsibility, and amounts of procurement. Where this line is drawn has been the subject of continuing debate within California, and this will likely continue to be so in any expanded footprint. A clearer approach, perhaps, to manage this tension would be to place more emphasis on the use of the WSC for development and resolution of RA issues beyond the simple system planning reserve margin.

NCPA: NCPA supports the principle that the ISO's new governance documents will include binding provisions to protect and preserve state authority over matters regulated by the states themselves. The Principles for Governance of a Regional ISO should expressly address the other outstanding policy issues associated with regionalization[...]

EDF: We appreciate the thoughtful treatment of capacity markets - which interfere with states' ability to determine their resource mix [...] Ultimately, these processes should rigorously support California's GHG policies for energy serving our state and ensure that GHG emissions do not increase regionally as a result of a larger ISO footprint.

Public Power: Section 1.3 states that the "ISO will establish a process for determining whether a proposed new ISO policy initiative would materially diminish or impair the state or local authority described in Section 1.1 above." But Section 1.1 only references state authority and additional language is needed to reference local authority where utility regulation, rate design, and resource procurement and planning falls under local jurisdiction.

ICNU: A future WSC and regional ISO Board will need tangible provisions attempting to delineate state authority, if the collaborative process established via Principle 1.3 is to be guided by recognizable standards. Principle 1.1 [...] unless these "binding provisions" include clarifications specifically designed to anticipate and guide a WSC and ISO Board in considering whether a policy initiative could diminish or impair state authority, the binding provisions will always be subject to varying and possibly widely divergent interpretation. [...]no specific definition is provided as to what would be material; what triggers a diminishment of authority; what would constitute an impairment of authority; and, what ultimately is a matter of state or local authority. [...] include binding provisions providing that, in the event that regional ISO and state or local regulatory authority resource adequacy policy or actions differ in relation to particular load serving entities, [...] load serving entities will not hold retail ratepayers responsible for any increased costs resulting from differences in resource adequacy policy or actions between the regional ISO and the relevant state or local regulating authority. [...]clarify that new participating transmission owners will have complete flexibility to determine the cost allocation and billing determinant used for transmission revenue requirement within their respective sub-

regions, regardless of the transmission access charge billing determinant used by the regional ISO. As the proposed governance principles currently stand, ratepayers of potential new PTOs have no safeguards against encroachment upon LRA and state authority beyond the very high level declarations within Principle 1.1. ICNU believes an ISO decision on whether to add additional clarification to Principle 1.1 could be a watershed event in the entire regionalization process. In conjunction with net cost/benefit studies, protective safeguards for LSE ratepayers may well prove to be the primary point of controversy in future state regulatory proceedings.

Utah Governor's Office of Energy Development: Developing the process now is preferable to deferring it to be developed by the Transitional Committee. Unfortunately the WSC load-based voting scheme severely undercuts the protections that Section 1.3 was intended to provide.

Six Cities: 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.

SDG&E: the CAISO's proposal contemplates "bylaws or other corporate governance documents" that, among other things, "prohibit [ISO] from proposing or endorsing a centralized market for the forward procurement of electric capacity..." SDG&E objects to this provision because it appears to go beyond what has been constitutionally and historically reserved to the states. However, there is no obvious benefit in legally precluding the expanded ISO from proposing and implementing such a market in the future if the benefits of doing so are determined to outweigh the risks.

AWEA: [...] this principle provides a rational process for addressing concerns that a proposed ISO policy initiative would materially diminish or impair state or local authority. Under this construct it will be critically important that the ISO Board, which sits with the WSC to determine if the proposed policy initiative diminishes state or local authority, is a fully independent Board. Therefore, as discussed more under principle #4, the transition to a fully independent Board should happen no later than the time the first significant regional Participating Transmission Owner joins the regional market. In addition, it may be valuable for the Transitional Committee to develop specific governance details that would provide a timeline under which the process for determining whether a proposed policy initiative diminishes local or state authority must be completed or, at the very least, initiated.

WOCA: The Proposal as revised appears to be responsive to many of our concerns and questions raised in previous comments. However, as expressed by other commenters during the October workshop, we are concerned with the guidance in the Proposal that suggests that this collaboration would apply only on a "going-forward basis to new policy initiatives proposed after a regionalized governance structure is already in effect".

Seattle: Section 1.3 proposes that the ISO would establish a process for determining whether a new ISO policy initiative will materially diminish or impair state or local authority. Seattle recommends that the language be altered to provide that if a majority of Western States Committee (WSC) members vote that a proposed policy impairs or diminishes state or local authority then that matter would be referred back to ISO staff for further work to resolve the concerns. A regional ISO Board, executives and staff will need to have a stronger mindset of inclusion, and respect for a diversity of interests, if the regional ISO is to be successful serving the diverse needs of the Western states.

SCE supports the continuation of each respective State's authority over procurement policy, certificate of public convenience and necessary approvals for utilities within their jurisdiction [...]

TANC notes the absence of a reference to local authority in the sentence providing that the “procedure will require the ISO Board to consult and collaborate with the WSC to determine whether the proposed policy complies with the provisions in the ISO documents regarding preservation of state authority.” We presume, but seek clarification that this omission was an oversight.

BPA: The Second Revised Proposal contains a broad restriction on capacity markets. This broad restrictive language could apply to both long-term and short-term capacity markets. Bonneville sees potential benefit in a voluntary short-term capacity market because this could provide a useful tool to promote reliability and address shorter term capacity needs that may have been unanticipated in a long-term planning horizon. Therefore, Bonneville recommends the prohibition on capacity markets be limited to longer-term markets, and leave open the possibility that an up to a month-ahead capacity market could be created. [] The language in section 1.2 is unclear as to what “these provisions” is referring to. Bonneville recommends inserting a reference to section 1.1 as follows: “The bylaws or other corporate governing documents will preclude amendments to these provisions relating to the state authority described in section 1.1 above absent unanimous approval by both the ISO Board and the Western States Committee.” [] The last sentence of section 1.3 needs clarification to specify the purpose of the further policy development. Bonneville recommends the last sentence of section 1.3 be edited to state: “Absent such approval, the matter will go back to ISO staff for further policy development that will address concerns raised by the Western States Committee.”

PG&E: PG&E supports the proposed changes in Section 1.3 to establish a procedure to determine whether a proposed new ISO policy initiative would materially diminish or impair state or local authority. Section 1.3 provides a “first line of defense” against a policy that might cause a loss of existing state or local authority, which will be most relevant in areas of established and settled jurisdiction. PG&E’s proposed parallel §205 filing right then adds a “belt and suspenders” under which the WSC may act collectively, even absent a determination of harm to any existing state authority, to make its alternative views known to FERC. PG&E believes that this latter authority may become relevant when addressing emerging policy areas, such as distributed energy resource participation in wholesale markets, where the jurisdictional boundaries between state and federal authority are less well established.

National Grid: We recognize the importance of the preservation of State Authority for the creation of a Regional ISO and believe that the current draft has attempted to address concerns raised in earlier drafts. [...] we note that the FERC has ultimate jurisdiction over the bulk transmission grid.

California Environmental Justice Alliance, Asian Pacific Environmental Network, Communities for a Better Environment, The Greenlining Institute: The goal of this (first) principle– the preservation of state’s authority – is critical for the formation of the regional authority. However, as drafted, the language does not fully accomplish this for several reasons. Initially, as drafted, this first principle only applies to policies that “would materially diminish or impair the state or local authority.” It is not clear what the definition of “materially”, “diminish” or “impair” are in this context. CAISO should include clarifying language in this principle that assures that all policies conflicting or intruding on areas regulated by state and local authorities are included and considered in this process. Second, as drafted, this first principle only applies to concerns raised “during the stakeholder policy development process.” To assure that implementation issues can also be addressed by this principle, CAISO should add clarifying language that issues related to conflicts with state or local authorities can be raised in any step of the process. Third, the principle only allows state or local authorities to raise potential concerns during the process. This process would benefit from allowing all stakeholders to raise potential issues and concerns. The Environmental Justice Parties request that the public be notified of such issues and be allowed to participate in the decision making process. Fourth, as drafted, there are too many procedural steps in Section 1.3 to assure that these important issues are considered in a timely way. It is unclear why there needs to be an additional

step after a majority of the ISO board or Western States Committee determine that there is a concern with an ISO policy.

CLECA: Section 1.2 states that the “bylaws or other corporate governance documents will preclude amendments to these provisions relating to state authority absent unanimous approval by both the ISO Board and the Western States Committee.”- Is there a current timeline for the development of these governance documents? As discussed below, SB 350 requires their development and delivery by the Governor to the legislature, as well as their presentation at a joint agency workshop. Section 1.3 also discusses potential combined voting of the Regional ISO and WSC to determine by majority vote whether the Regional ISO staff proposal “would diminish or impair state or local authority.” What would happen if the combined vote of the bodies were tied, which is a possibility with nine governors and seven WSC members? CLECA recommends consideration for a greater weighting of the WSC vote on these matters to help avoid a tie vote; additionally, greater weighting of the WSC votes would mitigate the real risk that the Regional ISO could always comprise the majority opinion and approve the staff proposal, which could potentially impair state authority. There should also be an option for termination of the staff initiative, as may be appropriate, in addition to sending the matter back to ISO staff.

2. Transmission Owner Withdrawal

General support was offered for this principle, with some clarification for unique circumstances requested.

WIEC/UAE: WIEC and UAE generally support this principle, with the qualification that any single state regulatory authority must be able to require a public utility over which it has jurisdiction to withdraw from the RISO, even if the utility provides service in multiple states and other state regulatory authorities do not agree.

NCPA: Neither the Legislature nor the Governor can simply invoke the withdrawal provisions in the principles (this should be expressly stated in the principles to avoid any confusion). As such, California policymakers should proceed with the understanding that once regionalization takes effect, there will be no turning back.

PAC: PacifiCorp continues to support the principle [...] additional detail needs to be developed through appropriate stakeholder processes. For example, the proposal should address what happens if a participating transmission owner has one state authority that orders it to exit the regional ISO. This would be an extremely challenging regulatory scenario because PacifiCorp requires approvals from all six of its jurisdictions to transfer operational control of its transmission system to the regional ISO. It is unclear from the ISO tariff or existing law what PacifiCorp would be required to do if, sometime after regional ISO integration, one or more (but not all) of PacifiCorp’s states required it to exit the regional ISO. PacifiCorp recommends that this subject be an issue that should be deferred to and resolved by the Western States Committee in the event of such circumstances due to the complex multi-state nature of the issue.

SCE: Participating transmission owners can withdraw from the CAISO with typically two years notice. SCE supports maintaining these provisions for all participants.

AWEA/Interwest: support the inclusion of this provision and appreciated the details regarding withdrawal with were provided in the previous governance principles document.

UT Governor’s Office of Energy Development: While Utah is not requesting any changes to this section, practical economic impediments may make withdrawal difficult, even if the regional governance plan does not do so explicitly.

SDG&E: SDG&E supports CAISO's proposal to include a provision that would enable a participating transmission owner to withdraw from an expanded ISO. It is unclear to SDG&E whether a state regulator or local regulatory authority has the authority to order a participating transmission owner to withdraw from the expanded ISO. SDG&E believes that any principle that would enable a PTO to withdraw from the expanded ISO must be consistent with FERC policy.

Public Power: POUs support the continued right of Participating Transmission Owners (PTO) to withdraw, whether voluntarily or in light of a state or federal regulatory order

3. Transitional Committee of Stakeholders and State Representatives

Some stakeholders sought clarity on the responsibilities of the Transitional Committee, whether the committee would be subject to an open meeting policy, and clarity on the footprint used for stakeholder sectors that will be used to select members of the Transitional Committee. Several questioned the existing Board's ability to appoint additional members to the Transitional Committee, or had additional suggestions for this provision. Many Publicly Owned Utilities expressed that CCAs should be a separate sector from the POU sector given their unique structures, and at least one stakeholder requested a sector for end-use disadvantaged communities. At least one stakeholder requested an additional seat for IOUs on the Transitional Committee and one stakeholder recommended more than 12 months be considered for the Transitional Committee to complete its work. Stakeholders generally supported each sector having sole authority to determine their representative on the Transitional Committee.

CA ORA: Under the current proposal the CAISO could appoint additional members to ensure adequate regional and sector representation. ORA recommends modifying the Second Revised Proposal to require that if the CAISO does appoint additional members, it should endeavor to maintain a balance among sectors on the committee.

PIOs: PIOs are pleased that earlier provisions have been removed that required any final governance proposal developed by the Transitional Committee to first receive unanimous approval of the states on the committee before such proposal could be forwarded to the CAISO Board for final approval. [...] no single sector should be permitted to dominate the work and decision-making of the Transitional Committee. Rather, the work of this body should be consensus-based. PIOs support each sector having sole authority to determine their representative on the Transitional Committee. Finally, PIOs also support CAISO's decision to separate the Public Interest Groups sector from the End-Use Consumer Advocate Groups sector. PIOs seek clarity on the exact authority of the Transitional Committee of Stakeholders as currently conceived by CAISO and recommend that the next iteration of the governance proposal be explicitly clear regarding what, exactly, the Transitional Committee will have the authority to decide. [...] It appears that the Transitional Committee has authority over the following: 1. Certain appointment and operating procedures of the Nominating Committee a. Determining membership sectors of the Nominating Committee, including voting and nonvoting members. 2. Stakeholder process for the RSO Board. 3. Preservation of state authority under the RSO model a. Identifying specific language for governing documents of the RSO to include binding provisions to protect and preserve state authority over matters regulated by the states themselves. [...] It appears that the Transitional Committee no longer has authority over the following: 1. Western States. PIOs recommend that CAISO clarify the Transitional Committee's precise role and responsibilities in the next version of its governance proposal. PIOs also seek clarity regarding what type of documentation the Transitional Committee will be expected to produce for approval by the CAISO Board of Directors and the California Governor. 2. PIOs further recommend that either the Transitional Committee or the Western States Committee be charged with finalizing the weighted voting model for the WSC – please refer to our comments under Section 6.

PAC: PacifiCorp continues to support use of a Transitional Committee charged with implementing the governance design and documentation that embodies the principles ultimately adopted in this process. [] requests that any subsequent revisions to the proposal address the timing of when the Transitional Committee would or could be initiated. PacifiCorp notes that the modification to allow each stakeholder sector to self-select one candidate to represent that sector on the Transitional Committee is an improvement. PacifiCorp notes, however, that the process contemplated in the current proposal may be logistically challenging and problematic for members of the sectors because of the organization that will be required. Several of the identified sectors may have no existing structure or framework in place for achieving this level of coordination, especially across a six-state region. In order to avoid inefficiencies or lost time, PacifiCorp suggests that the ISO proactively consider what kinds of support or organizational services it may be able to offer to assist sectors in getting organized and in selecting a Transitional Committee representative. PacifiCorp further understands and agrees with the provision that allows the ISO Board to appoint additional members to ensure geographic diversity. While PacifiCorp is cautious about granting any roles or authority to the existing ISO Board, in this case, it may be a practical necessity if the overall balance of Transitional Committee representatives lacks sufficient regional diversity. PacifiCorp supports the modifications in this section that provide that the governance plan must be approved by, at least, a majority of the Transitional Committee and for the Transitional Committee to strive to complete work in nine to twelve months, although PacifiCorp is not sure that this timeframe is realistic and that the work of the Transitional Committee may take significantly longer.

WIEC/UAE: These revisions represent a positive step, but are insufficiently specific to be acceptable. Certain key issues that are critical to WIEC and UAE's evaluation of whether PacifiCorp should join an expanded ISO cannot be pushed down the road for later resolution. The critical issues must all be adequately addressed and resolved in advance. In addition, the Transitional Committee's proposed scope of authority is unclear. Clearly defining the scope of authority of the Transitional Committee up front is particularly important because, among other things:

- all significant matters of governance for the regional ISO must be resolved before UAE and WIEC could support approval from state public service commissions for PacifiCorp to join a regional ISO;
- ISO Board approval will be required (Principle 3.7), and should be obtained prior to seeking state public service commission approvals; and
- as drafted, the proposal to the ISO Board may lack the support of the entire Transitional Committee (Principle 3.7). It would not be appropriate for a public utility to seek authority from a state public service commission to join an ISO that has a partially undefined governance structure. As a result, while WIEC and UAE recognize the utility of a Transitional Committee and a transition period, matters within the Transitional Committee's authority must be fully resolved prior to regionalization. [] No procedures or mechanisms are offered for how "[t]he members of each sector will select an individual who will represent their sector." Adequate representation of a reasonable cross-section of ratepayer interests is essential. Moreover, the number of end-use consumer advocate groups representatives on the Transitional Committee should be increased to help counterbalance the weight of supply-side interests represented on the Transitional Committee.

LSA: LSA appreciates the CAISO's positive response to our previous requests for refinement of the Transitional Committee proposal. [] we seek additional specificity on the timing and decision points for each stakeholder group to select its own representative.

SEIA: Appropriate representation on the Transition Committee will also be essential to ensuring that renewable energy interests are met in a newly formed regional ISO; as such, we are glad to see [] representation of both distributed and large-scale renewable energy interests on the Committee. The development of a successful Western ISO will be a multi-year exercise taking place in numerous forums, including the current discussion on Governance legislation, parallel and future stakeholder initiatives, and the renewable energy resource decisions made by state governments and overseen by state regulatory agencies. Following passage of governance legislation by the California legislature, the solar industry will work through the Transition Committee and stakeholder processes to ensure that the full potential benefits of a regional ISO are realized. In this regard, the

expanded ISO should include: board independence; transparency, efficiency and due process in decision-making; fair and open access to the decision-making processes that incorporates the perspectives of different renewable energy resources; enhanced visibility into grid operations; and efficient utilization of all grid resources so as to improve reliability while maximizing the utilization of the lowest-cost and lowest-carbon resources. [] we feel that the critical components of earlier versions have been maintained while valuable modifications have been made and that these principles are in keeping with our vision of a successful western ISO. [] Our one request is that CAISO clarify the processes by which sectors will choose their representatives for the transition committee.

CMUA: CMUA supports the use of a Transitional Committee structure, with the additional limitations set forth in the Second Revised Proposal that the role of the Transitional Committee will be limited to governance. The essence of the TC concept is sector self-selection, and CMUA's concern is that a role for the ISO Board (discretion to add TC members) may invite the process to become overly political, and otherwise erode sector confidence in the TC outcomes.

NCPA: The responsibilities of the Transitional Committee have not been clearly delineated. Section 3.1 states that the transitional committee "will be responsible for addressing the governance issues that these principles identify for it to consider" (emphasis added). However, the only principles identified for the committee to consider are in Sections 5.2 (identifying and defining voting sectors for the Nominating Committee) and 7.1 (considering options to improve the stakeholder process). Furthermore, Section 8.1 states that the existing ISO will develop the regional governance plan. If the Transitional Committee is only confined to the issues in Section 5.2 and 7.1, does this mean the existing ISO will develop the rest of the governance plan (which is most of the plan)? [] provide additional guidance and parameters for the existing ISO to ensure the governance plan considers all the issues in a manner that protects California and its ratepayers. Guidance and parameters should also be established for the existing ISO Board as it considers changing or not adopting any proposal submitted by the Transitional Committee [] What is the justification for the nine to 12 month time period in Section 3.6? 12 months for the Transitional Committee to work on issues for the governance plan seems arbitrary, especially juxtaposed with the 36 months given to select the board members of the new regional ISO. The principles should consider giving 36 months to the development of the governance plan and 12 months to select the new board members. • Section 3.3.b inappropriately includes CCAs within the meaning of "Publicly-Owned Utilities." [] CCAs should not be grouped with POUs in Section 3.3.b since a CCA's representative would not be able to adequately represent the interest of the state's POUs (and vice versa). • Section 3.4 [] NCPA requests that the POU sector be allowed to also use its own process to select its representative • Section 3 is silent on whether the Transitional Committee or the existing ISO Board must follow open meeting rules when implementing Section 3. All committees and boards included in the principles [] should be subject to the open meeting rules that follow or are the functional equivalent to California's Brown Act.

Public Power: In Section 3.3, the POUs appreciate the slight rebalancing of the representation on the TC by combining Generators and Marketers with Independent Power Producers. [], but the TC is still not evenly balanced. The POU category should be expanded to include at least two separate seats -- one for municipal or public utility district utilities and one for cooperatives []. [] Public Power requests that the ISO more carefully examine the rationale for including CCAs in this sector. Public Power supports the change in the selection of TC members from Board selection of one from two sector-chosen candidates to a sector selection of each candidate, while allowing the Board to appoint additional members as needed.

The Six Cities: The Six Cities agree with most of the proposed features of the Transitional Committee []. However, the Six Cities recommend modification of the eligibility criteria for states that can participate in the Transitional Committee to be less restrictive. [] Because the Transitional Committee will be charged with developing the foundational governance documents for the RISO, excluding a state from that development

process [] could reduce the potential for that state to permit or encourage participation by Transmission Owners within the state at a later time.

SDG&E: SDG&E supports [] proposed changes. [] Diverse stakeholder representation is necessary if the regional ISO is to be successful. [] SDG&E believes that the sectors and not the ISO Board should determine who the representative for their respective sector should be. SDG&E believes that it is important for the CAISO to include a provision in the governing principles on the key qualifications of a regional ISO Board Member. [] SDG&E believes qualified candidates should represent as many of the following qualifications as possible: (1) electric industry expertise, (2) market expertise, (3) general corporate/legal/financial expertise, and (4) public interest expertise. Also, [] qualified candidates for the expanded ISO Board cannot be employed by, or provide consulting services to, any person or entity that is engaged in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electricity Coordinating Council or affiliated with any actual or potential participant in any market administered by the expanded ISO. [] cannot hold any financial interest that would be prohibited by 18 C.F.R. Section 35.34(j)(1)(i); or have another actual or perceived conflict of interest that would be prohibited by the Code of Conduct & Ethical Principles and that could not be resolved before the candidate becomes a member of the expanded ISO Board

UT Governor's Office of Energy Development: The Transitional Committee remains problematic for two reasons: composition and scope of authority. [] State representatives will apparently be only seven members of a Committee numbering at least fifteen. A requirement for unanimous state approval has been dropped from the Transitional Committee voting mechanism, severely weakening state representation. Moreover, a previously proposed representative of a state-sanctioned ratepayer advocate has been subsumed into a broader consumer advocate category. [] While the scope of decisions deferred to the Transition Committee has been narrowed, too many critical decisions, including those related to selection of the ISO Board remain.

AWEA: The changes made to the Transitional Committee in the second revised proposal help provide additional clarity, ensure representation from critical industry stakeholder sectors, and ensure each sector can work through its own means to determine its appropriate representative, while giving the ISO Board some latitude to add additional participants if the resulting slate is not regionally diverse. [] The current provisions strive for the development of a consensus-based proposal and also limit the Board's ability to modify a consensus-based proposal that is ultimately delivered to the Board for approval.

WOCA: [] we generally support the revised Transitional Committee proposal. In our earlier comments we advocated for an inclusive, sector driven Transitional Committee as the best way to achieve robust regional dialog on these important issues. [] We are curious, given this stricken language, who will oversee the development of [] Corporate Governance Documents.

Seattle: Seattle appreciates the revisions made to section 3 and supports them. [] we would like to better understand the rationale for including "CCAs" within the "POU" sector. [] recommend that the ISO consider whether a wider definition of POU is required in section 3.3. []. The ISO needs to carefully consider how best to be inclusive of the wide array of load-serving entities across the West and use language carefully tailored to meet its policy goals.

WY PSC: While this revision represents significant progress toward development of a fair and effective governance structure proposal, [] weighted voting provisions would endow California with veto power due to its greater than 75% share of load, and would allow a combination of California and any five states to impose decisions on a dissenting state. This could produce very disagreeable results for any participant state except California. [] no single state should have more or less control than other states in the footprint.

SCE: The proposal is for a Transitional Committee to include members of eight sector stakeholders. [] more IOU representation is needed in the Transitional Committee.

TANC appreciates and supports the fact that the CAISO has now proposed to let the Members of each sector select their representative. However, TANC opposes the CAISO's proposal in Section 3.3(b) to require Publicly-Owned Utilities (POUs) to share representatives with Community Choice Aggregators (CCAs). [] Inclusion of CCAs in the POU category potentially dilutes that class and POU representation given that the Transitional Committee will be responsible for developing the specifics relating to the make-up of the Nominating Committee, which in turn will nominate members of the regional ISO Board. [] the specific governance issues the Transitional Committee will be charged with addressing are not clear in the Second Revised Proposal, nor is there clarity on whether these determinations will be made in open process. [] not clear whether the Transitional Committee itself will be required to consider stakeholder input and hold public meetings, or if one of the tasks that the Transitional Committee will be charged with completing is the development of such stakeholder and open meeting processes. [] the Transitional Committee should, at a minimum, follow California's Open Meetings requirements ensuring transparency throughout the regionalization process. [] the new regional ISO Board should also ensure opportunities for robust stakeholder input.

SMUD supports the self-selection of sector candidates instead of delegating the ultimate decision to the ISO Board. In section 3.3, SMUD assumes the use of "stakeholder's from throughout the region" means stakeholders may be from anywhere in the WECC region and not confined to within the proposed expanded ISO BAA footprint (CAISO + PacifiCorp). SMUD requests the ISO clarify this reference.

PG&E supports the changes, particularly those in Section 3.3 to clarify the stakeholder categories in order to reduce duplication and expand opportunities for end-use customer participation.

National Grid supports the creation of the Transitional Committee along with the stakeholder composition of the proposed Committee. We note that there is not currently an opportunity for the transmission owners (non-utility) for participation. [] we request that the CAISO consider the addition of a spot for the merchant transmission developer/owner on the Transitional Committee.

California Environmental Justice Alliance, Asian Pacific Environmental Network, Communities for a Better Environment, The Greenlining Institute: [] The Environmental Justice Parties request that CAISO add one more member to both the Transitional and Nominating Committees specifically representing low-income and disadvantaged communities and their interests. []. To ensure that these communities are considered in these decisions, a representative on the decision-making committees should represent these interests.

CLECA cares about the governance principles for a Regional ISO because a Regional ISO will impact CLECA members' rates and their ability to participate in demand response programs. []; the cost of power is higher here than in neighboring states[]. The state must avoid increases in power costs that would push the production of cement or steel or beer or industrial gases or other energy-intensive products out of California, where the power is cleaner and greener but higher in cost than anywhere else. [] If the overall goal is reduced total GHG and other emissions, the governance structure should help guard against the harmful impacts of higher costs on manufacturing in California. [] CLECA strongly supports the revisions to section 3.3 where an end-use representative sector is added to the Transitional Committee. [] There should also be a requirement that the CAISO board of governors address any dissent(s) and explain the basis for their decision on the majority opinion of the Transitional Committee and the dissenting opinion.

ICNU: ICNU appreciates the ISO's decision to explicitly include "End-Use Consumer Advocate Groups" []ICNU proposes that the Transitional Committee include two representatives from the "End-Use Consumer Advocate

Groups” sector. [] any underrepresentation from the consumer advocate section cannot be rationally justified. [] a solitary representative from the consumer/ratepayer sector seems inequitable when compared to the generous allotment on the utility and producer/power side. Also, [] stakeholders outside California could benefit from clarification as to the timing and process associated with efforts by the present ISO Board to develop such a charter. Alternatively, putting all such responsibility for governance of the Transitional Committee in the hands of the current ISO Board may unnecessarily invite future controversy and opposition outside California, especially in states where sentiment for full independence or for a fresh slate in the formation of a new regional organization runs strongest.

4. Transition Period

General support was offered for this principle. Several stakeholders requested a shorter transition period. Various parties asked for a visual timeline for the regionalization process and for clarification on how a new Board will phase in during the 36-month transition period.

PIOs: PIOs request clarification from CAISO on the timeline of the transition period. [] PIOs request clarity on when this three-year “clock” begins running and what approvals will be required during that three-year timeframe. It is PIOs’ understanding that the Transitional Committee cannot be seated until California legislation is finalized []. Once the Transitional Committee is seated, it will be charged with developing governance documents that are subject to approval by the CAISO Board, the California legislature (if applicable), FERC, and the IRS (if applicable). However, the governance documents would not become effective until they are approved by the Governor of California. [] PIOs seek clarification on how existing CAISO Board members would “cycle off” the CAISO Board while the Nominating Committee begins appointing new RSO Board members during this three year transition period. PIOs recommend that CAISO include a visual diagram in its next governance proposal outlining exactly what CAISO envisions for the transition period, including when key decisions must be made (and by whom). [] include the timing not only for internal CAISO and California-focused decisions, but also for external decisions (e.g., decisions by FERC, the IRS and other state regulatory bodies).

WIEC/UAE: [] WIEC and UAE believe that all significant matters of governance for the regional ISO must be resolved prior to PacifiCorp seeking approval from state public service/utility commissions to join a regional ISO. A 3-year period to complete these efforts may or may not be adequate.

CMUA: CMUA largely supports the proposal to orderly transition from the existing Board as specified, and notes that the Revised Proposal allows for a more expeditious timetable if developments warrant at a future time.

NCPA: [] the three year time period to seat the new regional ISO Board members seems too long, especially considering the much more truncated timeline for the governance plan. The transition period should be 12 months, and the governance plan development process should take place over 36 months.

Public Power: Public Power supports the specification of a three-year deadline for completion of the transition period.

SDG&E: SDG&E supports an up to three year transition period []. A shorter transition period to an independent board is better. [] SDG&E recommends a hard cut-over addition of four new board members [] upon the commencement of the transition period. SDG&E believes honoring the current board members full three year term sets precedence for an expanded ISO beyond the integration of PacifiCorp. [] There will be a gradual transition to include the new PTO and their respective state. [] up to nine new board members would be in office upon completion of the three year transition period. Also, for other stakeholders’ consideration in

Appendix A, Option B and C are included as illustrations with the gradual addition of four new board members during the transition period (Option B) and a hard cut-over to nine new board members (Option C).

Utah Governor's Office of Energy Development: [] What will happen if the transition to a new Board is not completed within 36 months of the new regional governance plan? [] This indeterminate transition period, during which the most crucial, formative decisions of an expanded ISO will be made, underscores the importance of the following []: "The Regional Board must, instead, be fully independent from the outset of regional expansion activity, including at the time of creation of a Transitional Committee of stakeholders. Otherwise regional trust and consensus seem unlikely or even impossible."

AWEA: [] it is unclear how the 36-month requirement will line up with the potential entrance, or "go-live" date, for a new, regional Participating Transmission Owner (PTO). It will be critical to align the timing of the transition to a fully independent board with the integration of a new regional PTO, such that at the time the new PTO is integrated a fully independent Board is in place. AWEA and Interwest encourage the addition of language [] "the fully independent board must be sat no later than the date the first PTO integrates into the regional ISO."

WOCA: [] pleased that the revised proposal incorporates a defined transition period. [] we believe a three year transition period is adequate without being onerous. [] under no circumstance would we support full integration of PAC into the RSO until such time as a fully independent RSO Board is seated. Again, a timeline showing development process steps and milestones would be extremely helpful in this regard

Seattle supports a defined transition period and recommends the current language be amended in section 4.2 to clarify that 36 months is a deadline, not a goal; and that if the transition can be achieved in less than 36 months, the ISO and its stakeholders should seek to do so.

SCE: SCE appreciates the clarity provided in the proposal that defines a three year deadline from when the governance plan becomes effective to the implementation of a new nine member board.

PG&E supports the commitment to a 36 month transition period from the effective date of the plan. [] it would be helpful to see in a graphic format the proposed timeline and sequence of the intermediate steps during the transition period, including the seating of the transition committee, formation of the Western States Committee, and the nomination and formation of the new ISO Board.

National Grid: This principal appears well thought out and developed.

PAC: PacifiCorp requests the production of a timeline that would help visually illustrate the likely order of key governance milestones. PacifiCorp supports the modifications to the provision to transition from the existing ISO Board to a new independent ISO Board through a new nomination and approval process, []. PacifiCorp understands that the transition will begin on the effective date of the regional governance plan and will be completed within three years. []concerned about the existing ISO Board's approval authority over the final governance plan, and other regional initiatives, such as Transmission Access Charge and Regional Resource Adequacy, before the Board is fully independent. [] this concern could be mitigated by (1) developing a role for the Western States Committee for approving or advising on regional ISO final governance plans [] or (2) provide for a significantly shorter transition period, after approval of the governance plan, to establish the fully independent ISO Board, []. In addition, PacifiCorp believes the transitional period deadline should align with a potential go-live date of PacifiCorp becoming a participating transmission owner. [] PacifiCorp requests additional clarification about what the likely composition of the ISO Board would be during the 36-month process, as it seems likely that for this period, the ISO Board would be in some state of transition to a fully

independent ISO Board. The logistics and timing of this transition relative to the composition of the fully independent ISO Board need to be clarified.

BPA: Bonneville believes that the Transition Period described in the Second Revised Proposal is an improvement over the initial proposal, but a closer evaluation of the roles and responsibilities of the five CAISO board members during the Transition Period may raise question as to how well they can serve their duties as CAISO board members for the ongoing operation of the CAISO, while also serving on the Regional ISO Board during the Transition Period.

5. Composition and Selection of Regional ISO Board

Various parties asked for a commitment now to having specified sectors serve on the Nominating Committee, rather than deferring the issue to the Transitional Committee. Some requested that the stakeholder sectors used to select the Nominating Committee extend beyond the regional footprint to include entities that have not joined the ISO. At least one stakeholder asked for clarification of how process for selecting Board members would work after the initial Board was established, and for clarification on the length of time each new Board member would serve. Stakeholders also inquired after the qualifications that would be required of Regional Board members. At least one stakeholder asked that the role of the EIM governing body under a new Regional Board be clarified/addressed. Some stakeholders expressed support for the two stage approval process for appointing Board members, though some proposed variations on this approach. Stakeholders offered varying comments on the voting rules for the nominating committee and the approval committee. There appears to be general support for a 9 member independent Board.

CA ORA: [] ORA supports the revisions that would allow voting seats for representatives of the public interest and end-use customer sectors, but recommends revising the proposal to require that each of these sectors have a (voting) seat on the Nominating Committee. Requiring that both the end-use customer sector and the public interest sector have seats on the Nominating Committee is important because these two sectors are the only ones – out of nine, in the current proposal -- that represent end-use customers who will pay the costs of the expanded ISO, and whose focus is on the public impact of its policies.

PIOs: [] While PIOs support deferring the exact membership structure of the Nominating Committee to the Transitional Committee, PIOs seek clarification that two of the nine voting members on the Nominating Committee will represent public interest organizations and consumer advocates. [] the interests of public interest organizations and consumer advocates are not sufficiently aligned to justify combining these two sectors into one []. Additionally, PIOs are pleased with CAISO’s clarification that public interest organizations are to be provided with a voting role on the Nominating Committee. [] consensus may not always be possible. For this reason, PIOs support a voting requirement for the Nominating Committee that requires at least a supermajority (i.e., 75%) of the voting members []. However, PIOs recommend that CAISO clarify in its next governance proposal that the Nominating Committee strive to reach decisions through consensus and only when consensus cannot be reached would the 75% voting requirement be applied.

WIEC/UAE: [] The proposal does not answer critical questions about how Nominating Committee members will be selected. [] Principle 5.2, as now written, states that “Up to two sectors will be established for representatives of public interest and/or consumer advocacy groups” (emphasis added). This allows for the possibility that no consumer advocacy group (or public interest group) representative exist on the Nominating Committee, which is unacceptable.

CMUA: CMUA generally supports the process proposed to select the Independent Board, including the two stage approval process using both the Nominating Committee and an Approval Committee. CMUA further

supports the decision to have 9 independent board members as within the range of reasonableness, balancing the desire to have an inclusive and diverse Board, against the need to be able to get work done and make decisions.

NCPA: []the Principles for Governance of a Regional ISO is silent on the actual duties and responsibilities of the new regional ISO Board. The only specific authority described in the principles is related to the board's ability to circumvent the Western States Committee's authority. [] principles should recognize the current separation of duties with the EIM Board, and not allow the new regional ISO Board to change the structure of the EIM Board without consideration of the Western States. []The principles do not explain the term limits for these board members, whether there will be staggered terms, the process to replace board members, whether board members must come from a certain sector or region, etc. The principles must describe the rules related to future board members and ensure that California's interest will be represented strongly on the board at all times. The principles should expressly include at least one POU representative on the Nominating Committee that is selected by the POU sector through a process determined by the POU sector.

Public Power: Public Power has concerns about providing the Approval Committee, consisting of the voting members of the WSC, with the ability to approve or disapprove of the nominating committee slate of candidates

ICNU: [] concerns about the underrepresentation of the ratepayer/consumer sector [] ICNU believes that the current proposal on the make-up of the Nominating Committee for a regional ISO Board is in need of revision. [] ratepayers may have no voice at all on the Nominating Committee under the ISO's proposal, since public interest groups could potentially fill one or both of these allotted slots: "Up to two sectors will be established for representatives of public interest and/or consumer advocacy groups." [] ICNU proposes that, as with the Transitional Committee, the "End Use Consumer Advocate Groups" sector should be guaranteed two representatives on a nine-member Nominating Committee. ICNU suggests that one representative could still be drawn from the public interest sector, with a full six allocations left for direct market participants. Moreover, ICNU's proposed allocation appears a fair compromise because, under the ISO's supermajority proposal for at least 75% approval before the Nominating Committee can forward a candidate to the Approval Committee, the two ratepayer/consumer representative could not form an effective veto block on their own. In terms of the proposed voting rules for the Approval Committee, ICNU may have difficulty supporting the functional California veto which would be implemented via the 75% load voting requirement of Principle 5.4. In short, such a principle could be described as "those footing the bill should hold all the effective power," and there is a certain logic there. [] At the end of the day, the ISO must be prepared to expand protections to other states by more definitive and explicit guarantees if there is to be any realistic expectation for acceptance of California primacy in voting design.

BPA: In comments on the first set of principles, Bonneville suggested that one possible approach would be to not have the existing five members of the CAISO board serve on the new Regional ISO Board, but rather the new nine member board be appointed in a hard cut over.

SDG&E: SDG&E believes that political geography should not play a deciding role in the appointment and or composition of the expanded ISO Board. The mission of the expanded ISO Board is to oversee the development and management of short term markets (day ahead and real time) and longer term transmission planning processes that provide efficient and open access to the transmission system under the control of the expanded ISO. This mission has little to do with geography and everything to do with independence, vision and expertise. [] SDG&E is concerned that imposing a supermajority rule that committee members representing at least 75% of total load must vote in favor of the slate of candidates, will be unacceptable to the other states since it effectively gives California veto authority. If the other states do, in fact, object to the supermajority of load [] SDG&E would support eliminating this rule; relying solely on the agreement of 75% of the voting members. []

more information is needed for the Board selection process. It is unclear [] what steps the Nominating Committee must take to revise the slate of candidates and what happens should the Approval Committee reject a second slate of candidates from the Nominating Committee.

Utah Governor's Office of Energy Development: The Nominating Committee is apparently a subset of the Transitional Committee that includes nine sectors but no state representation. The load-based voting scheme of the WSC, (acting as the Approval Committee), gives California a unilateral veto of a slate of Board nominees even if unanimously supported by all other states. [] there is nothing in the proposed Nominating Committee and very little in the Approval Committees to suggest that Utah would have a meaningful voice in selection of the Regional ISO Board.

BANC: One issue that has been a core concern for BANC is the continued governance of EIM market issues by the EIM Governing Body. The Second Revised Principles do not include any discussion of this issue. [] it is appropriate for the ISO to commit to continuity of the EIM Governing Body. BANC respectfully requests that this commitment be made in any Final Principles proposed by the ISO with respect to regional governance.

AWEA: The two-step nominating and approval process outlined in the second revised proposal appears to provide a solid foundation for nominating and approving new independent board members and provides significant roles for both stakeholders and state representatives, while giving state representatives the ultimate authority over seating new Board members. The supermajority voting provisions outlined in principle #5 will help push both the Nominating Committee and the Approval Committee towards consensus. [] it may be beneficial to require unanimous consent for approval of independent Board members by the Approval Committee. [] the goal should be for consensus among the various interests. [] The current voting provisions for seating the slate of Board nominees, which require 75% of voting members that represent at least 75% of the load, will require near unanimity among the representatives serving on the Approval Committee. Thus increasing the threshold to unanimous consent for approval of Board members is not a large change, but may seem more attractive to states concerned about the potential for one state to have veto power in approving Board nominees. [] for the approval of Board nominees, the governance principle should require unanimous consent from all those serving on the Approval Committee.

WOCA: We are [] pleased that our comments regarding the independence of the RSO Board appear to have been incorporated into the revised Proposal. [] there is no indication in the revised proposal regarding when this new, independent Board might be seated. Again, we believe that all stakeholders would benefit from a graphical timeline that shows the various stages of RSO development and how the various steps in each of those stages interact with each other. [] The revised voting rule, which would apply to the Approval Committee and the WSC, would require any issue to achieve a favorable vote of 75% of the voting members of the WSC representing 75% of the load in the expanded footprint for that issue to be reported favorably out of the WSC. [] a Board candidate would need only 75% of the Nominating Committee to vote favorably in order to have his or her name forwarded to the Approval Committee. We are uncertain as to why this distinction was made between the Nominating and Approval Committees. [] During the October workshop one commenter stated that California would own 81% of the end use load in an expanded RSO. In view of California's load share, which could give California veto power by virtue of its load share, perhaps the revised voting rule is adequate to protect the rights of smaller states; perhaps not.

Seattle supports the changes in section 5 [] seeking consensus in the development of the nominating committee, so long as doing so does not result in a de-facto veto being provided to any one state through the selection of sector representatives. The current language of section 5.2 "Each sector will be limited to entities that operate within the ISO's regional footprint..." appears somewhat vague on this point and poses a bit of a logic problem since there cannot be a regional ISO footprint identified in advance of the regional ISO's existence. [] Seattle

recommends the language of section 5.2 be modified as follows: “Each sector will be limited to entities that operate within the ISO’s current footprint, within the state where a PTO who has joined the regional ISO provides service, or a state adjacent thereto...” Doing so will be inclusive of not only the states affected by the prospect of PacifiCorp becoming a PTO of a regional ISO, but also includes those states who would be directly and indirectly affected by the expansion of the CAISO into a regional ISO; now and in the future.

SCE: [] The Transitional Committee should offer input on how to resolve how many slates the Approval Committee can reject before a slate of candidates must be selected. While it may be the intent to have the Transition Committee develop the terms of each Board member and the staggering of terms of the Board members, the process for which open Board seats will be filled after the initial seating of the Board should not be left to the Transition Committee. It is possible that the CAISO proposal intends to utilize the same Nominating Committee and Approval Committee however, the proposal does not address this issue. [] the governance proposal should address how Board members will be reappointed or replaced when their terms come to an end.

TANC: [] What is the proposed process for ensuring that neighboring entities that may be affected by the regional ISO’s decisions or entities that consider joining the ISO’s regional footprint will have an opportunity to provide input into the nomination and approval of a new regional ISO Board?

BPA: The stakeholder-based Nominating Committee, discussed in Section 5.2, is comprised of up to nine sectors. [] Bonneville believes this language could be read too narrow and should be expanded to include neighbors to the ISO’s regional footprint and other parties that are interconnected to or may be impacted by the Regional ISO operation.

PG&E: The composition of the stakeholder nominating committee described in Section 5.2 appears unnecessarily vague. It is unclear why the transitional committee should be the body tasked with establishing a different set of stakeholder sectors for the nominating committee [] with a heavier weighting towards “public interest and/or consumer advocacy groups”. PG&E believes the Transition Committee, with its specific balance of interests, is not the right place to determine a different weighting for the board nominating committee. PG&E proposes that Section 5.2 should be amended to directly propose an allocation of nominating committee seats to stakeholder groups (which may be a different allocation than in Section 3.3), rather than deferring to the transition committee to propose such a mechanism. In Section 5.3 and 5.4, [] specify the process for nomination and approval of individual Board members whenever vacancies occur. [] is the nominating committee described in 5.1 a standing committee, whose membership remains in place for some pre-defined term, or an ad hoc committee, to be newly convened (with new membership) each time it is needed? What is the term of office once a new Board member is seated? Will terms for the initial Board be staggered (perhaps by drawing of lots, as was done for the EIM Governing Body)? Is there a different process for re-appointment of a sitting Board member whose term expires? Are there limits to the number of terms any one board member may serve? PG&E is concerned that the WSC’s role in affirmatively approving the initial Board slate (as a unit) should not set a precedent that require WSC approval for subsequent individual Board appointments to fill vacancies as they arise. There is a substantial risk of loss of ISO Board independence, if each individual Board member (rather than the initial slate as a unit) requires the voting approval of a supermajority of the WSC. PG&E recommends instead that subsequent Board nominations be made by the stakeholder nominating committee (as defined in Section 5.1) and then approved by a supermajority vote (e.g. 75%) of the full voting membership of a committee of stakeholders. PG&E notes that a committee of stakeholders is already contemplated by many parties in comments on Principle 7 that recommended establishment of a formal Market Advisory Committee (MAC) of stakeholders. If a MAC is established, PG&E believes that it could serve as the appropriate body to approve individual Board nominations, beyond the initial slate.

National Grid: As mentioned above, National Grid strongly believes the input and voice of the merchant transmission developer is required on the Transitional Committee particularly as it relates to also the composition of the ISO Board Nominating Committee.

California Environmental Justice Alliance, Asian Pacific Environmental Network, Communities for a Better Environment, The Greenlining Institute: [] The Environmental Justice Parties request that CAISO add one more member to both the Transitional and Nominating Committees specifically representing low-income and disadvantaged communities and their interests. ISO will be deciding important issues related to dispatch and balancing our energy supply. These decisions can result in higher pollution and higher energy rates, which significantly impact low-income and disadvantaged communities.

CLECA recommends changing section 5.2 on the sector representatives for the Nominating Committee; this should, like section 3.3, include a specific sector for representation of end users – separate and distinct from a public interest sector. CLECA generally supports the supermajority provisions for voting rules.

MID: MID believes that there should be greater clarity up front as to the composition of the Nominating Committee. The principle that “the sectors will be established for the various types of entities that participate in the ISO’s markets,” id. at 9, is too vague. The Governance Proposal should expressly require representation of publicly-owned entities on the Nominating Committee. Further, the Governance Proposal should expressly require representation of publicly-owned entities not located in the CAISO Balancing Authority Area (“BAA”) on the Nominating Committee. The Regional ISO will necessarily impact and influence the operations, transactions and reliability of entities through the West, and the publicly-owned utilities not part of the CAISO BAA, particularly ones adjacent to the initial, proposed Regional ISO footprint are likely to be impacted heavily with the creation of a Regional ISO.

PAC: PacifiCorp supports the provisions for a two-step nomination and approval process, [] and appreciates the additional details and parameters provided in the proposal regarding the process to be further developed by the Transitional Committee. [] In the proposal, the ISO states that for a slate to be approved, the slate of candidates submitted to the Approval Committee “must receive affirmative votes from at least 75% of the voting members of the Approval Committee representing at least 75% of the total load within the ISO footprint.” PacifiCorp has made outreach to its state regulators regarding this voting rule as proposed here, and in Principle 6 as the voting rule for matters within the Western States Committee’s primary authority, and states are significantly concerned with the proposal, as explained further under Principle 6, below.

6. Establishment of a Western States Committee

Some stakeholders raised concerns about the weighted voting structure of the WSC and Approval Committee. Some asked for a broader scope of authority for providing direction for or approving regional stakeholder initiatives. Some parties expressed concern that primary authority approval structure does not adequately preserve the independence of the Regional ISO and may not be acceptable to FERC. Clarification was sought on compensation for WSC members and on how a 90-day failure to act as described in Section 6.8 would work. One stakeholder suggested establishing a “shadow WSC” prior to actual integration. Publicly Owned Utilities asked for one of the POU representatives on the WSC to be from outside the ISO footprint but with close connection to the footprint. Several stakeholders requested clarification of the term “sustained period of inaction”. One stakeholder asked for codification of the preservation of individual authority in the ISO Tariff. Various stakeholders expressed support for the inclusion of non-voting members to the WSC.

PAC: [] PacifiCorp has received feedback from its states that limiting the Committee’s primary authority to only the planning reserve margin portion of the Regional Resource Adequacy initiative is too narrow of a scope and

should be broadened. [] some are suggesting that Regional Resource Adequacy counting rules should also fall under the Western States Committee’s primary authority. [] PacifiCorp remains supportive of the provision that calls for the Western States Committee to provide policy direction and input on matters of collective state interest. [] PacifiCorp has received feedback from its states that the newly proposed voting structure of at least 75% of voting members representing at least 75% of total load is undesirable because it has the potential to result in either a California veto or a two-state (i.e., two states that are not California) veto. [] PacifiCorp must ultimately defer to the views of its states on this matter and feedback received from informal outreach indicates that anything other than a one-state/one-vote model continues to illustrate the risk that California is unwilling to let the California ISO become a truly independent regional body. The next iteration of the governance proposal that addresses voting for the Western States Committee should offer a proposal that addresses this very important and potential “deal breaker” issue. PacifiCorp also requests specific clarification in the next iteration of the proposal as to whether a “sustained period of inaction” would also include failure of the Western States Committee to affirmatively pass a resolution or vote or if “inaction” is more narrowly intended to mean the failure of the Western States Committee to take a vote. []

CA ORA: ORA welcomes the clarifications about open meetings and participation of POU/PMA, staff of state agencies, and the members of the public. ORA also appreciates the clarification that the revised load-weighted voting rule, [] Some form of load-weighted voting is necessary to protect the interests of individual states and also the interests of California ratepayers who are paying for enormous infrastructure investments in the existing grid. [] Subject to clarification regarding the calculation of 75% of load in this context, in principle ORA supports the revised load-weighted voting proposal of the Second Revised Proposal []. ORA also supports the CAISO’s decision to address the scope of the WSC’s “primary authority” now, as the scope proposed in the discussion paper Potential Topics within the Primary Authority of the Western States Committee is too limited [].

PIOs: PIOs continue to support the addition of non-voting members to the WSC [], PIOs seek clarification on whether each participating state in the expanded RSO footprint will be selecting a state representative or public official – both terms appear to be used interchangeably throughout CAISO’s governance proposal, [] PIOs believe that specific voting rules and requirements for the WSC should not be included in California legislation []. Instead, these types of details can be left to the work of the proposed Transitional Committee of Stakeholders []. However, if requiring some type of weighted voting for the WSC upfront continues to be a requirement in California, PIOs encourage CAISO to not mandate the specifics of that voting model at this early juncture. To enable efficient decision-making by the WSC, PIOs recommend a simple voting model be used whenever possible. As an overarching principle, each member of the WSC should have one vote and should always try to reach decisions through consensus. For decisions within the primary authority of the WSC, and only where consensus voting is not possible, the WSC may choose to implement some form of weighted voting based on load. [] While PIOs choose not to support one particular voting model at this time, we recognize that at least two stakeholders have proposed alternative weighted voting models that attempt to strike a balance between the interests of California and other Western states. [] PIOs seek clarity from CAISO regarding CAISO’s proposed definition of “load” – whether CAISO intends “load” to mean “net energy for load” or an alternative interpretation. [] As currently conceived, this footprint would include the CAISO participating states of California and Nevada, as well as the PacifiCorp states of Oregon, Washington, Idaho, Wyoming and Utah. Using “net energy for load” (NEL) data from the North American Electric Reliability Corporation and the U.S. Energy Information Administration, load percentages are provided in the below table for this expanded RSO footprint. Table 1: RSO Footprint – NEL Percentages by State California 81% Utah 8.4% Oregon 4.6% Wyoming 3.3% Washington 1.4% Idaho 1.2% Nevada votes “yes,” it would still need five other states to also vote “yes” in order for the decision to hold. In this sense, CAISO’s proposed voting model does encourage consensus-building among members of the WSC. Unfortunately, it still permits one state to outvote every other state and its two-part approval requirement (75% of load plus 75% of the states) may create the risk of deadlock on the WSC. []

WIEC/UAE: [] WIEC and UAE do not believe that it is appropriate for the WSC’s scope of authority to be determined on a different timeline or in a different proceeding than the Governance Principles relating to the WSC. Matters contained within Principle 6 of these Governance Principles should be considered alongside the matters contained in the WSC Primary Authority Discussion Paper [], interested parties are being required to comment on a voting structure for an organization with an undefined scope of authority, and the voting structure will likely be determined before the scope of authority is finalized. Because it appears that the Governance Principles will be determined on a faster timeline than the WSC scope of authority, it is appropriate to remove Principle 6 from the Governance Principles, [] regarding Principle 6.2, it is not clear whether service on the WSC is intended to be on a volunteer basis, or whether members will receive salaries (or other form of compensation) for their service. WIEC and UAE recommend that members of the WSC serve on a volunteer basis. Regarding Principles 6.3 and 6.4, WIEC and UAE support the addition of ratepayer representatives on the WSC. [] Additionally, the voting members of the WSC should be required to take into consideration the interests of ratepayers when making their decisions. As currently drafted, these two Principles leave ratepayers entirely out of the decision-making process. [] Regarding Principle 6.5, WIEC and UAE strongly support the open meeting rule requirements proposed. [] Principle 6.7, WIEC and UAE do not support the proposed voting structure. As written, this voting structure permits the costs associated with state policy driven projects to be imposed on another state without consent. [] A voting structure on policy-driven projects must require the states that agree to the policy and project to vote affirmatively in favor of incurring those costs. Those costs should be apportioned among those consenting states only; a state that does not support the policy or policy-driven project should not be forced to bear a portion of those costs, even if the state benefits from the project. []

LSA: LSA supports the general Western States Committee (WSC) framework, though the WSC scope and responsibility requires further discussion among stakeholders, particularly the CPUC and CAISO. [] In general, we recommend that the Western State Committee be formed quickly and that WSC representatives be seated early, in order to meet frequently and to establish and implement operating procedures, and to help the ISO and stakeholders better understand dynamics, issues, and needs of each state. Much of the final governance structure still appears to run through the current ISO board; WSC input will help decision-makers understand if and how those governance proposals will meet the needs of California and the other states. [] CAISO should ensure that this early establishment of the WSC includes procedures for early reporting of any WSC member questions or potential policy conflicts.

MID: The Western States Committee (“WSC”) should expressly permit Public Power representation from outside of the present CAISO BAA. [] MID asks the CAISO expressly to allow one of the non-voting publicly owned entity representatives on the WSC to be an entity located outside of or adjacent to the Regional ISO BAA. []

CMUA: [] CMUA generally supports the proposed composition of a Western States Committee but suggests some refinements and clarification. [] CMUA supports the concept that entities that will have a role in governance should not be bystanders but should have “skin in the game.” However, that concept is applied differently in the formulation of eligibility in the Principles. For example, with respect to the Advisory Seats on the WSC, the federal power marketing administrations (“PMA”) must be located “in the West.” [] However, when referencing public power entities, the proposal requires that they must be located “within the ISO footprint.” This could mean different things: (1) within the full Day Two Market footprint; or (2) within the full ISO footprint that could include the Energy Imbalance Market, []. One mechanism to resolve this matter would be to allocate one public power representative seat from within the full Day Two market footprint. The second seat would still have to demonstrate “skin in the game” through various indicia. The Principles could include a concept that eligible entities must have significant and meaningful participation in ISO administered markets, and suggest mechanisms to measure that such as threshold transaction volumes, the presence of both demand and supply bids, or the existence of a direct Scheduling Coordinator relationship with the ISO and the eligible

entity, or both. Details could be developed by the Transitional Committee. [] this initial effort to scope the role of the WSC is that it is likely too narrow. [] Voting is ultimately a thorny issue, balancing the legitimate need to reflect the fact that the preponderance of load served within the footprint will be in California, against the equally legitimate need to ensure that other states have a meaningful voice. The hard fact is that based on the proposed ISO/PacifiCorp integration, California remains large majority of the load within the footprint. It would be untenable for a minority of the load to be able to dictate policy decisions to the majority. [] CMUA suggests that there may be ways to reach consensus on this matter. Determining a specific voting mechanism is difficult without a complete understanding of the role of the WSC []. [...] Defining the WSC role first may help guide decisions on appropriate voting mechanism.

PGP: [] We appreciate the additional public power representative that was included in the Second Revised Proposal, but we note that the representatives will be selected by only publicly-owned utilities within the ISO footprint. [], PGP suggests that the two POU representatives be selected as follows: one from within the expanded ISO footprint and the other from outside of the footprint but with a relationship to the ISO through grid management services, including scheduling coordinators, EIM participants, POUs receiving imbalance services from an EIM entity, and others with a similar relationship to the ISO. The Second Revised Proposal includes voting requirements for the Western States Committee (WSC) that require 75% of the voting members representing 75% of the total load within the ISO footprint for any proposal within the primary authority of the WSC. PGP understands the need to assure that load is adequately represented, however, this weighting appears to give California, just by its large population, a de facto veto []. PGP recommends consideration of an alternative voting process that provides for a more equitable representation of all participating state's interests.

NCPA: With regard to the voting member composition of the Western States Committee, Section 6.3 should clearly indicate that these members can only be from states that have "skin in the game." More specifically, during the Approval Committee process, the voting members of the Western States Committee should only consist of representatives from states that either have (1) participating transmission owners currently within the ISO's balancing authority area or (2) transmission owners that have expressed interest in joining the ISO's balancing authority area through a memorandum of understanding or similar agreement. Once the new regional ISO is formed, the Western States Committee's voting members should only consist of representatives from states that have transmission owners that have signed the ISO participating entry agreement (e.g., a transmission control agreement). [] NCPA strongly supports the recent change in the principles that adds a second nonvoting POU member to the Western States Committee. [] NCPA would also be willing to consider an alternative structure where one POU nonvoting member comes from within the ISO footprint and the second member comes from a POU outside of the footprint, as long as that POU has a strong connection to the ISO market, such as through EIM participation.

NCPA supports Section 6.7, which states that the Western States Committee can only approve a proposal within its primary authority if the proposal receives "at least 75% of the voting members of the committee representing at least 75% of the total load within the ISO footprint." [] As described in Section 6.8.c, a "sustained period of inaction" occurs when the Western States Committee fails to reach a resolution on a matter pending before it for a period of at least 90 days after the matter has been placed before the committee for its consideration. NCPA is concerned that 90 days is an extremely short period of time to allot for action by the Western States Committee, especially if the proposal is controversial and requires negotiations. Also, what does it mean to "fail to reach a resolution"? [] NCPA is concerned that the regional ISO Board's authority to determine when a filing is necessary in order to invoke Section 6.8.c may be too broad. [] More clarification and development of Section 6.8.c is needed to ensure that this process will not significantly undermine California's interest.

Public Power: Public Power supports increasing the non-voting public power members of the WSC from one to two slots, subjecting the WSC to open meeting rules with non-members permitted to attend, and adding the

phrase “day-to-day” in the statement that eligible POU and PMA members “should not have day-to-day work responsibilities that are directly related to market transactions.” Further, Public Power suggests that these two POU representatives be selected as follows: one from within the expanded ISO footprint; and the other from outside of the footprint []. A technical clarification is needed in Section 6.4.c, where a reference is made to the “two nonvoting member groups described above” and should instead refer to the three individual nonvoting members from the PMAs and POUs. The POUs do not support a reliance only on weighted voting, and instead recommend a balance between numerical and load-weighted voting. [] It is the understanding of Public Power that the intent is to mean that both 75% of the voting members and 75% of the load are required for approval. But additional language is needed to clarify that intent of this section. Additional clarification is needed in section 6.8.c, which permits the ISO to file at FERC without WSC approval “after a sustained period of inaction by the WSC,” defined as a failure to “reach resolution on a matter pending before it for a period of at least 90 days after the matter has been placed before the WSC for consideration.” []. This section needs to clearly define what is meant by “placed before the WSC.”

STATE BUILDING AND CONSTRUCTION TRADES COUNCIL OF CALIFORNIA: The foundational tenet for any change to the existing ISO must be that California retains control of its energy and climate policy. We should not have to explain nor justify this tenet. [] our ability to implement our policies cannot be jeopardized. We are frankly amazed that anyone would propose giving states that are climate deniers and are actively opposing federal climate policy the ability to obstruct California policy. Yet proposing a Western States Committee designed to deadlock, at best, and decide against California, at worst, does exactly that. [] the new ISO board should consist of representatives of the states, not representatives of no one. [] The board does not operate the transmission system. It makes policy. It should be composed of policymakers selected by the states. []. The new ISO board should include members that are responsive and responsible to California. [] as proposed in the Principles, almost no policy would be determined by the WSC. This proposal is backwards. [] Limiting the primary authority of the WSC to these two narrow topics would undermine decades of California’s work, legislation, regulation and bold leadership. []. The new ISO would be bound to continue this climate-blind and pollution-blind practice. However, California climate policy will likely soon require a change to the dispatch protocol: plants will be dispatched to minimize overall system GHG emissions. But as proposed in the Principles, dispatch protocol would not be within the primary authority of the WSC. California’s very ambitious climate goals embodied in SB 32 and AB 197 require us to use every tool available to reduce emissions. The Principles would strip California of this tool. []. Even if the WSC were vested with any meaningful authority, the proposed voting rules would render it useless. If the new ISO were to begin with the states in which the CAISO currently operates along with the other states in which PacifiCorp operates, there would be 7 states. By requiring 75% of these states to agree on any matter, 6 votes are required to make a decision – meaning that any 2 states could prevent the WSC from making any affirmative decision. The obvious result is 2 coal-dependent states such as Wyoming and Utah could prevent the new ISO from implementing any policy to reduce coal usage, and California would be powerless to implement its policies. At best, the WSC would deadlock, leaving policy decisions to unaccountable technocrats whose primary mission is reliability, not protecting the climate or reducing pollution. We cannot understand why California would willing allow states that actively oppose its climate and energy policies to have such a veto power.

ICNU: ICNU appreciates the ISO’s revisions to Principle 6.5, in clarifying that WSC will generally perform its work in open session, [], ICNU appreciates the proposed expansion of public utility representation on the WSC via Principle 6.4. Also, ICNU believes that Principle 6.8 would benefit by express definition as to what the “supermajority of the ISO board” would mean, [] Regarding the 75% load voting requirement proposed in Principle 6.7, however, ICNU reiterates the potential difficulties that stakeholders outside California may have in supporting a functional California veto, absent some material form of give-and-take like the express ratepayer protections afforded by additional clarifications to Principle 1.1, designed to assure the effectual preservation of authority for all states. To this end, ICNU finds support for Principle 1.1 clarification by the ISO’s decision “to work on addressing th[e WSC] ‘scope of authority’ issue now, rather than deferring it to the Transitional

Committee, [] At a minimum, if Principle 1.1 clarifications are not added right away to a third revised governance proposal, the ISO could issue a discussion paper and receive comments, similar to the WSC primary authority paper.

Six Cities: 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, [], 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 [] the Six Cities strongly support inclusion of load-weighted voting for the WSC []. 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 two-tiered voting structure recommended in the 2nd Revised Governance Proposal strikes a reasonable balance []. 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

SDG&E: SDG&E agrees with CAISO's proposal to establish a stand-alone WSC of state regulators, consisting of members from regulatory and other state agencies representing all of the states within the footprint of the expanded ISO. [] SDG&E does not support providing the WSC with primary authority over regional ISO policy initiatives. SDG&E objects to any governance proposal which confers the WSC with Section 205 filing rights concerning the expanded ISO's transmission planning process and associated transmission cost allocation among the sub-regions of the expanded ISO. FERC already has authority over the CAISO's transmission planning process and has exclusive authority over transmission cost allocation. [], the court and the FERC have determined that unilaterally granting Section 205 filing authority over any body other than the public utility would "allow a state to do what FERC itself cannot, namely, to change an interstate rate practice that FERC has not found unreasonable."⁴ The FERC has expressly noted that it has only permitted the sharing of Section 205 filing authority in a multistate context when the affected parties have so consented.⁵ [] SDG&E's concerns should not be misinterpreted as opposing direct and active participation by the WSC in the expanded ISO. Constructive participation by the WSC in the expanded ISO is essential, and all parties need to be at the table. [] SDG&E is concerned that the 75% of load voting rule will not be acceptable to the other states in that it effectively gives California veto over decisions of the WSC. [] In the second revised proposal, the ISO has further developed the proposed voting rule that the Western States Committee ("WSC") members would use when considering matters that are subject to their "primary authority." SDG&E is concerned that the 75% of load voting rule will not be acceptable to the other states in that it gives California effective veto over decisions of the WSC. If the other states do find this rule unacceptable [...] the CAISO should revise its governance proposal to make the WSC strictly advisory, at least as to those matters which have been constitutionally and historically reserved to the states.

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

AWEA: AWEA and Interwest appreciate many of the clarifications and revisions that have been made within this principle. The most controversial modification in this principle is the addition of specific voting rules for areas within the WSC's primary authority []. AWEA and Interwest support driving the group towards consensus-based decision making and believe this principle may help to achieve that. If implemented in conjunction with AWEA and Interwest's recommendation that Board nominees be approved by the Approval Committee with unanimous consent, we believe that there will be an opportunity to build trust and collaboration among the states early, which will continue to foster consensus-based decision making in the areas of WSC primary authority.

WOCA: We agree with the comments of Commissioner Florio of the California Public Utilities Commission (CPUC) who observed that many of the elements of the Proposal will be fully baked before the WSC is seated. If so, the WSC would have little ability to influence important foundational elements of the Proposal and would be left with little authority to meaningfully address or change those aspects of the Proposal. []. Instead, we believe that state regulatory and policy interests should be reflected in the foundational elements of the Proposal, rather than the WSC fulfilling a primarily ministerial role after the Proposal has already been adopted by the California Legislature. We acknowledge, however, that full engagement of the WSC in the development and implementation of the RSO will create due process issues for most consumer advocates and other interested parties in the PAC footprint. For example, PSC Commissioners who are actively engaged in the development and implementation of the RSO through the WSC, and whom would presumably endorse any proposal that would later be proffered to the PAC states for approval, would have an inherent conflict of interest in subsequent proceedings. The alternative, which is even less appealing, is for the current ISO Board to have sole approval authority. [].

Seattle supports many of the changes made to section 6 []. We remain concerned about several aspects of the current draft, as identified below. In section 6.4.a the ISO continues to limit POU participation to those entities "within the ISO footprint". []. Seattle recommends that section 6.4.a. be revised as follows, "a. Two individuals selected by publicly-owned utilities qualified to participate in the regional ISO market." []. Another alternative, [] is as follows: "a. Two individuals selected by publicly-owned utilities participating in either the regional ISO's market or grid management services." []. Section 6.4.c as currently worded is not logically coherent and is open to misinterpretation. Seattle recommends the sentence begin "The three non-voting members described above, ..." Section 6.5 uses the term "participate" without defining it. Seattle recommends that the term be clarified as follows: "... participate through providing public comment ..." []. Section 6.7 appears to propose a single vote, that will be tallied twice – once to count for 75% of the states and once for 75% of the load represented by those states. Section 6.7 should be clarified if this in fact the ISO's intent. The apparent result of the current language of section 6.7 is to give the state of California a de-facto veto []. Seattle is concerned that this approach – giving the state of California "first among equals" status for an indeterminate period of time (until sufficient states join a regional ISO to dilute California's load share of the total loads served by a regional ISO) is likely to garner significant opposition across the West and may not be acceptable to the FERC. Seattle is unaware of any other multi-state ISO or RTO that provides a single state such a veto right over significant ISO or RTO policies. The amendment proposed for section 6.8.c appears vague as to how one would define "placed before". Seattle recommends more definitive language such as "... after the matter has been formally introduced to the WSC on a regularly scheduled meeting agenda."

SCE: []. Given that each WSC vote can carry with it significant weight, SCE believes that the proposal should contemplate the minimum size of such a PTO that must be met in order to obtain a seat on the WSC. Furthermore, a PTO must serve load to for a state to have representation on the WSC. []

TANC appreciates the CAISO's decision to increase the number of POU representatives from one to two given the number, size and diversity of POU's across the region. Section 6.4(a). TANC believes, but seeks confirmation that, Section 6.5 is intended to ensure that neighboring entities will be informed of the various proposals being

considered by the WSC and will be able to provide input to the WSC and the regional ISO Board. [] Furthermore, the proposal warrants further clarification on the responsibilities of the WSC. [].

SMUD supports the change in section 6.4 to expand POU representation on the WSC to two individuals. []. SMUD recommends one of the POU positions to include representation by POUs outside of the ISO footprint participating in the regional ISO market. SMUD suggests use of the definition of “market participant” in the ISO Tariff to determine which external POUs participate in the ISO market. []. The proposed scope of authority of the WSC is quite limited. []. SMUD supports a WSC that has a broader scope of authority to address various policy issues, not just two limited topics. While we recognize determining what issues are “policy” is a daunting endeavor, it is nevertheless important to make this determination since a well-functioning and properly-scoped WSC is critical to the success of a regional ISO.

PG&E does not support the current Proposal with regard to Primary Authority of the WSC. PG&E recommends that Sections 6.6 and 6.6a of the Governance Principles be amended to state that the Western States Committee (WSC) has an advisory role to the ISO Board. If after consultation with the WSC, the ISO Board approves a §205 filing at FERC that does not accord with the policy view espoused and approved by the WSC (via a collective vote, according to its voting rules), the WSC should have the right to make its own, separate §205 filing, to present its alternative views directly to FERC. Under the alternative parallel filing model that PG&E supports, this stress goes away. [] PG&E is deeply concerned with the broad scope of primary authority which the Governance Proposal contemplates assigning to the WSC. In particular, PG&E is concerned that the power of the WSC to constrain ISO Board filing rights within the areas subject to its primary authority (see Section 6.6a of the Governance Principles) may violate the “I” (Independence) in ISO and may not therefore pass muster with FERC. Section 6.7 discusses the proposed voting rules for the WSC []. To be successful, the vote count must separately and simultaneously represent at least 75% of the load (through a yet-to-be determined calculation). Effectively, any two states or California alone would have the ability to veto a proposal under this scheme, ensuring that the WSC will need to work hard to reach consensus. PG&E believes this combined state/load (or “House and Senate”) approach represents a reasonable balance of interests. However, PG&E is concerned that Nevada is currently represented in CAISO only by Valley Electric Association, a member-owned cooperative serving 45,000 residents (mostly the city of Pahrump). Under the “Senate” portion of the voting formula, the state of Nevada – which has no direct regulatory jurisdiction over VEA – will have the same voting representation on the WSC as Utah, whose largest regulated utility, PacifiCorp subsidiary Rocky Mountain Power, serves approximately 1.9 million residents³ or nearly 2/3 the population of the entire state. Effectively, each resident of Pahrump has about 40 times the voting weight of each resident of Utah. This represents a significant inequity.⁴

National Grid reserves comments on the Western States Committee (WSC) until additional details on the actual scope and authority of the WSC is further defined.

California Environmental Justice Alliance, Asian Pacific Environmental Network, Communities for a Better Environment, The Greenlining Institute: []. For the Western States Committee to truly operate as an independent body, a few changes are needed. First, the Western States Committee could allow stakeholders to submit comments on matters before them. Second, the Western States Committee could be required to report communications made to it by interested parties when it is making a decision or other ex parte rules ensuring transparency of and fairness in the decision making process. The same requirements could be added for the regional authority’s board.

CLECA: The supermajority voting proposal is a good start. Since load pays, the majority of load should have a larger say in what is decided. It is not clear, however, how the WSC’s 75% of load supermajority vote on primary authority areas of regional RA and Regional TAC relates to the “consensus” discussed in the WSC issues paper in connection with the Planning Reserve Margin. At a minimum, this needs clarification. CLECA also shares the

dismay expressed at the Oct. 17th workshop with the narrow role envisioned for the WSC. []. The scope of primary authority should be expanded and a process for addressing disagreements, [] must be developed. The CAISO and the CPUC have had disagreements in the past and discrepancies could lead to significant ratepayer costs. [] a proposed timeline should be developed. []. CLECA strongly supports an open meeting process for the WSC. The Potential Topics Draft Proposal also states that the WSC could have an advisory role on other ISO policy initiatives or participate in some way in “agency regulatory proceedings on other topics or in appellate or other judicial proceedings.” Greater detail on what this role would be and how the WSC would carry it out needs to be developed. []

Utah PSC: As in earlier proposals, the current Governance Proposal once again gives California an effective veto on the Western States Committee (WSC) and in board selection. As the Division indicated in earlier comments, it cannot endorse any proposal that allows California to veto proposals supported by the other states or board. []. If California retains veto authority over board appointments, its wishes are likely to receive outsized attention in both the initial selection and appointment process and in the decisions of ISO board members wishing to retain a seat on the board. Likewise in the Western States Committee. [] California’s apparent unwillingness to let go of this control suggests a lack of desire for a truly independent organization. [] the persistence of such weighted voting mechanisms suggests the lack of desire for a truly independent regional entity. []. Assuming these problems are cured in legislation, much of the detail of the WSC’s work and other items can be determined during transitional processes as identified in Footnote 1, with its multi-step approvals.

EDF: First, the question of who gets to decide what counts for Resource Adequacy (RA) is important because it directly affects which resources utilities are required to procure. We believe that this should be a state-by-state decision, similar to how it is done now in the current ISO footprint, with the WSC and the ISO helping to ensure consistency across the region. []. Relatedly, we recommend that decision makers continue to pursue a WSC voting structure that takes into account load, and is fair and representative of all states.

BPA: In the Second Revised Proposal, CAISO changed the number of publicly-owned utility representatives on the Western States Committee from one to two individuals. Bonneville strongly supports this change.

7. Stakeholder Processes and Stakeholder Participation

Various parties seek a commitment in the Principles to the formation of a Stakeholder or Market Advisory Committee, rather than having a Transitional Committee consider whether to have such a body. Other commenters do not support having such a committee, or express that no changes to the existing stakeholder process are warranted at this time. Several parties asked that language be included in the principles to state that only “State-Sanctioned Ratepayer Advocates” could receive funding for participation in ISO proceedings.

CA ORA: In Section. 7.1 (c), the reference to “State-Sanctioned Ratepayer Advocates” should be changed to “End- Use Consumer Advocates,” consistent with the change made to Principle 3 (Transitional Committee), which ORA supports.

PAC: PacifiCorp continues to support the provisions that suggest the Transitional Committee should consider changes to the ISO’s current stakeholder process to facilitate broad and robust stakeholder participation. PacifiCorp believes that a stakeholder group, such as a market advisory committee, for multiple stakeholder sectors is a good idea for a regional ISO and supports this element of a future regional ISO.

PIOs: [] 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. [] PIOs prefer a

Member Advisory Committee over a Market Advisory Committee, as it permits diverse and robust stakeholder participation that is not limited to RSO market participants. While the exact details of such a formal stakeholder process should be left to the work of the Transitional Committee, PIOs see value in requiring a formal stakeholder process upfront for the future RSO. [] an RSO will owe multifaceted obligations to a diverse set of stakeholders. 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 []. 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.

WIEC/UAE: WIEC and UAE are strongly supportive of full and adequate input from all stakeholders.

NCPA: NCPA supports the principles' effort to incorporate stakeholder input in the regionalization process. It is not clear, however, which part of the process Section 7 relates to. Is Section 7 focusing on stakeholder involvement during the development of the governance plan, the transition period, and/or after the new regional ISO is formed? Section 7 should provide clarification on this. NCPA supports Section 7.1.b, which requires the Transitional Committee to consider whether formal stakeholder committees, such as a market advisory committee of stakeholder representatives, should be established. [] What is a "state-sanctioned consumer advocate body"? Is this an organization that is specifically recognized through state law or regulation, like the Office of Ratepayer Advocates? Or is this referring to other organizations that engage in consumer advocacy? NCPA does not believe that such a funding mechanism is necessary, but if it moves forward, the Transitional Committee should be required to establish specific rules governing qualifications, limitations to funding, and requiring parties to demonstrate a clear stake in the issue.

BPA: Bonneville supports CAISO's commitment to working with all stakeholders and the Transitional Committee to consider options to revise the stakeholder process. Given that the Transitional Committee will include individuals that have experience in participating in the CAISO stakeholder processes in the role of stakeholder, they may have valuable suggestions that could improve the stakeholder process. This review of stakeholder process should potentially include a proposal for the formation of a market advisory committee that could interact with the Regional ISO Board and the WSC.

EDF: [] stakeholders such as renewable energy, distributed generation, environmental, environmental justice and others must have a meaningful and robust opportunity to offer informed opinions to and to interact with the ISO. We remain concerned that there is no clear, permanent process for stakeholder engagement - rather, the plan leaves such a fundamental issue to be determined by the transitional committee. [] 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. The governance proposal must ensure that there will be fair processes for stakeholder participation and should not leave this basic issue to be determined later.

PGP: [...] a Market Advisory Committee (or equivalent concept) is essential to the governance structure to assure appropriate representation on these issues. This Committee assures that the Board is informed of the impacts to market participants, some of which may have no other form of representation, in a formal that does not rely solely on the ISO staff to attempt to reflect those interests. It is not sufficient to simply have this concept addressed by the Transitional Committee, [...]. We recommend that the final governance proposal 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.

Public Power: [] POU's continue to recommend that the ISO's governance proposal include the establishment of a Markets Advisory Committee (MAC) or similar structure that provides a forum for market participants, and other entities affected by the ISO market, such as public interest groups and consumer representatives, to attempt to reach consensus on market issues and to provide direct input to the Board. Such a committee should be developed as part of the governance proposal and not left for the TC to determine

CMUA: [...] CMUA and members of the public power community have stressed the need for a strong market or member advisory committee as a component of RSO governance. Every RTO has some sort of structured stakeholder engagement process led or substantially driven by the stakeholders themselves. CMUA and other public power entities have clearly signaled that this is a high priority component of RSO governance. Yet, the ISO continues to defer consideration of this issue to a possible Transitional Committee, [...]. We have supported a purely advisory role for such a market advisory committee. The ISO is missing a significant opportunity to show other parts of the West that it is serious about incorporating the diversity throughout region into a broader RSO, instead of reinforcing the fears in the West that they will be assimilated into California.

ICNU: [] concern about the ISO's decision to revise Principle 7.1, specifically in directing the Transitional Committee to consider funding for "participation by State-sanctioned consumer advocate bodies," rather than simply "State consumer advocate bodies." [] Going forward, ICNU respectfully asks the ISO to revise Principle 7.1(c) before submitting these governance principles to the Governor and the California Legislature. The best solution may be to simply revert back to the original wording, i.e., dropping "sanctioned" [] the Transitional Committee cannot actually consider a "full set of options" regarding stakeholder funding so long as the very governing principles that are supposed to direct Transitional Committee work expressly limit the types of consumer advocacy groups eligible for consideration. [] while ICNU believes the ISO was earnest in pledging a commitment to work with stakeholders and the Transitional Committee as a means of addressing concerns over the terminology used in Principle 7.1, the effect of this course is to ask stakeholders to trust the ISO that everything will work out, even to the extent of future action which contradicts the express terms of proposed governance principles.

Six Cities: 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 [] CAISO's existing stakeholder initiatives process. Under the CAISO's stakeholder initiatives process, [] All interested stakeholders typically have the opportunity to comment on the CAISO's proposals, both verbally in stakeholder meetings and in written comments. [] 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. [] A stakeholder advisory committee should supplement, not replace, the CAISO's existing stakeholder processes.

SDG&E: Except for adding limited financial support (travel and incidental expenses) for qualified public interest entities, SDG&E does not believe that changes to CAISO's existing stakeholder process are warranted at this time. However, SDG&E supports the expanded ISO Transitional Committee reviewing the CAISO's existing stakeholder process to determine if any changes are needed to ensure the stakeholder process for the expanded ISO is effective.

Utah Governor's Office of Energy Development: The root cause of many of the obstacles to the stakeholder processes is that the processes are driven by a single state, on a timeline dictated by that state's legislative

calendar. The result has been an overlap of multiple processes on a schedule that does not allow sufficient time for education and resolution of complex issues necessary to build region wide support.

AWEA: AWEA and Interwest have previously provided support for this principle.

Seattle remains strongly concerned by the ISO's refusal to consider a "Members' Advisory Committee" (MAC) as a formal part of its stakeholder process and structure. [] Adopting a MAC would be reflective of the type of culture change Seattle believes the ISO will have to engage in to be successful in achieving its regional goals. [] Seattle believes a MAC should be comprised of market participants that have direct financial interest in the success of the market, those who operate bulk electric system elements, while also permitting a diversity of participation similar to the sector representation considered elsewhere in the principles document. Section 7.1.c asks about funding mechanisms for state consumer advocates. [] Seattle recommends that the ISO carefully consider whether funding of state entities such as consumer advocates is also a matter best left for the states to determine.

SCE: Overall, SCE believes the current stakeholder process has worked well and supports maintaining the current framework. SCE does not support the creation of a formal stakeholder committee. In the context of regional expansion, SCE supports reimbursement of expenses if limited exclusively to travel costs incurred by State Agencies (e.g. employees of a PUC) incurred for engagement in stakeholder activities. SCE does not support reimbursement for additional costs or to additional parties.

SMUD strongly recommends formation of a Market Advisory Committee (MAC) – or other formal stakeholder committee – to provide a forum for stakeholders throughout the region. [] The Principles should include a commitment to form a MAC. The details of the structure, scope, and process of the MAC can then be addressed by the Transitional Committee.

Public Power Council: We feel that lack of a Market Advisory Committee, with a formal relationship to the Board, continues to be a strong negative aspect of the overall proposal. This is a very significant matter for Northwest public power entities. [] a MAC with formal recourse to the Board could play a constructive role in helping the ISO reorient itself to the West and western issues. []. A multi-state ISO, of course, must make a sharp turn towards a broad orientation, which can be difficult for the best-intentioned large organization with the history and habit of singular focus. [] Although it is reasonably robust, the current stakeholder process does not provide a formal relationship and place in the Board decision-making process or contribute to necessary changes in ISO orientation and habit. [] Deferring the question of stakeholder engagement to the Transition Committee without proposing a MAC sends the wrong signal in this regard.

Modesto Irrigation District: A Market Advisory Committee should be a confirmed part of the governance proposal, not a matter deferred to the Transitional Committee. MID is disappointed that the Governance Proposal did not mandate the establishment of a Market Advisory Committee. [...] stakeholder access to Regional ISO decision makers is a top concern for MID. [...] regulatory agency representatives may not represent publicly-owned utilities under their regulatory mandate. [...] a Market Advisory Committee is an essential component to ensure that stakeholders' interests are being voiced and protected. Further, guidelines as to the stakeholder processes should be defined prior to the formation of the Transitional Committee. Stakeholders should have the ability to voice concerns directly to the Regional ISO Board, management and staff at appropriate points in the decision making process.

National Grid: We support open, transparent and robust stakeholder proceedings and participation.

California Environmental Justice Alliance, Asian Pacific Environmental Network, Communities for a Better Environment, The Greenlining Institute: [] CAISO should not delegate the details of the stakeholder process to a transitional committee. [] CAISO should develop markers to ensure that there is a meaningful public process. With relation to end-use consumers, the National Association of State Utility Consumer Advocates (“NASUCA”) found: End-use consumers are not consistently able to provide effective input about their interests because the decision-making process is complicated and extremely time-intensive, and most consumers or their advocates lack the resources required to meaningfully monitor and influence the stakeholder process. [] The Environmental Justice Parties recommend the following initial steps to assure meaningful participation: - Open and public meetings whenever possible including options for remote participation; - Assure that ISO Board and ISO have experience to understand issues impacting low-income and disadvantaged communities; - Available translation services for communities; - Intervenor compensation for organizations representing the public interest; - Outreach to specific communities that are impacted by decisions; - Clear and transparent deadlines; - Availability of underlying data in accessible formats; and - Materials available in easy-to-understand format and language.

CLECA incorporates by reference its earlier recommendations in this proceeding for improvements to the CAISO’s stakeholder processes. [comment from previous paper: “A matrix of stakeholder comments and CAISO responses should always accompany revised proposals[] Otherwise, participants do not know whether or how CAISO staff considered their comments and positions or other stakeholders’ comments and positions, impeding full and fair stakeholder participation.”]

BANC: BANC urges the [] (“ISO”) to include a Member or Market Advisory Committee (“MAC”) in any Final Principles []. [].regional engagement gives BANC insight into what works, and what does not work, in the Western Interconnection. The lack of a MAC in any of the documents produced so far stands in stark contrast to what the ISO is attempting to accomplish. The structures of other RTOs, [], all contain such stakeholder processes. The consistent theme BANC hears from public power leaders in the West is that the lack of a MAC structure reinforces their perception that the proposed regional grid operator will be insular and dominated by California interests. It would be so easy for the ISO to begin to alter that perception by including a MAC as a fixed provision of the governance structure in Final Principles.

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

Several stakeholders asked for additional detail around the process and timeline before a plan becomes effective. Others acknowledge this legal requirement in California and have no additional comment. Clarification was requested about what is meant by “bylaws and articles of incorporation” and “governance documents” referenced in the revised principles. One stakeholder noted that the Governor’s certification is a process by which the state of California will make any statutory changes necessary to effectuate CAISO governance reforms, and should therefore be removed from the Principles.

CA ORA: ORA appreciates the CAISO’s efforts to provide more detail about the process envisioned in order for the plan to go into effect, but additional clarification is still needed. [] ORA agrees that clarification is needed and a timeline could be very useful. For example, the Second Revised Proposal acknowledges that approval of Principles for Governance of a Regional ISO by all of the (PacifiCorp) states is required for regionalization to succeed. [] The states will [] require an opportunity to make a decision once it is known whether FERC has approved the Principles for Governance of a Regional ISO, or what changes FERC requires. When and how the states will have that opportunity needs to be clarified. [] Which aspects of the regionalization proposal will the CAISO submit to FERC for review before the states are called upon to make their decisions on whether to approve PacifiCorp’s applications to join the regional ISO? [] will the CAISO seek FERC approval of the Principles for Governance of a Regional ISO, including the proposed role for the WSC, before the PacifiCorp states are

asked to approve PacifiCorp's request to transfer operating authority of its transmission assets to the regional ISO? The Second Revised Proposal states that binding provisions concerning the preservation of state authority will be set forth in the bylaws of the regional ISO. Will those bylaws be subject to FERC review and approval? If so, will the bylaws be reviewed before the states are called upon to make a decision? Finally, ORA recommends that provisions to sunset current sections of the Public Utilities Code related to the CAISO provisions be contingent upon PacifiCorp joining the regional ISO.

PIOs: [] seek clarity regarding the transition period and the role of the California Governor's certification of the governance documents during that transition period.

WIEC/UAE: [] acknowledge this legal requirement in California. The Governance Principles should also recognize that, for regionalization to proceed, the California Legislature must remove regional ISO matters from its legislative control and relevant state public service/utility commissions must approve participation in an RISO by any additional public utility.

CMUA: The process by which the state of California will make any statutory changes necessary to effectuate CAISO governance reforms is unclear and yet to be determined. As such, CMUA suggests that this "certification" concept simply be removed from the Principles as it is unnecessary and tangential to the issue of substantive governance principles.

NCPA: NCPA strongly requests that the final governance plan only be authorized through legislation—not simply by the Governor's certification, as proposed in Section 8. This will better ensure that the Legislature, the Governor, and the public will receive an opportunity to understand and provide input on the governance proposal before final approval. This could happen without disrupting any of the existing regionalization timelines. It also ensures that the Transitional Committee and the existing ISO Board remain accountable to the interests of state legislators, since the Legislature will have final say on whether the proposal is in "the best interest of California and its ratepayers," which is the threshold for certification established in Section 8.2. With regard to Section 8.2, the principles should further elaborate on what should be considered when determining if the governance plan is in the best interest of the state. This should include, but not be limited to, consideration of electricity rates, stranded investments, reliability, GHG emissions, and other environmental policies.

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. [] 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.

SDG&E: SDG&E does not believe the Governor of California should have the ability to block formation of an expanded ISO. That authority should reside solely with the FERC based on the merits of the necessary tariff changes. SDG&E notes that the current Governor of California has, so far, been supportive of an expanded ISO. SDG&E believes the support of all states' governors will be important in creating an environment that encourages new participants to join an expanded ISO.

Utah Governor's Office of Energy Development: Shifting development of a regional governance plan from the Transitional Committee to the ISO Board does nothing to improve representation of state interests or reduce uncertainty about the eventual plan. Neither the Transitional Committee nor the ISO Board represents any state.

AWEA: This principle helps provide clarity on when the governance plan becomes effective and provides a path for California to ensure that the ultimate proposal is consistent with whatever direction may be approved by the Legislature. AWEA and Interwest generally support this principle.

BPA: The Second Revised Proposal states that the Governance Plan will be approved by the Governor of California. Bonneville understands that the Governor's approval is a necessary step in order to authorize the CAISO to expand from a California entity into a regional entity. However, it is important that once the Regional ISO Board is fully established at the end of the 36 month Transition Period, the Regional ISO Board have an opportunity to approve and/or adjust the bylaws under which the regional ISO will operate. Accordingly, Bonneville suggests that ratification (or amendment) of the bylaws by the Regional ISO Board be required once the Regional ISO Board is fully seated, and that this action be included in the sequence of events described in the timeline.

PG&E supports the certification process in Section 8

CLECA: It is not clear if this principle conforms with the requirements set by SB 350. Section 8.1 references "governance documents," but this term is not defined. SB 350, however, specifically directed the following: 359.5. (d) Modifications to the Independent System Operator governance structure, through changes to its bylaws or other corporate governance documents, would be needed to allow this transformation. [] SB 350 explicitly mandates presentation of changed bylaws and articles of incorporation. Are these the same as the "governance documents" referenced in the revised principles or are they different? This should be clarified. While the results of the SB 350 study have been presented at a joint agency workshop, it seems that the proposed governance modifications must likewise be presented, unless the intent is to modify these provisions of SB 350.

PAC: PacifiCorp remains concerned about any approval role performed by the existing ISO Board for provisions relating to the governance of the regional ISO, as contemplated in this principle.

General Comments:

PGE would request that the Proposals be revised to include a more expansive and immediate role for the Western States Committee ("WSC"), an earlier seating of the Transitional Committee such that their Governance proposal can be delivered as soon as practicable, and an abbreviated timeline for establishing and operating the Regional ISO under the new Regional ISO Board. PGE believes the WSC is the appropriate body to, with the help of stakeholders, CAISO staff, and market experts, settle aspects of the initial market design that at times pit dissimilar interests against each other. In PGE's view, the WSC could facilitate a new round of engagement on these types of issues concurrent with the Governance work and seating of the new Regional ISO Board that will be undertaken by the Transitional Committee. Doing so would allow the groups and their stakeholders to work in tandem on issues where appropriate and schedule efficient meetings and interactions with overlapping stakeholder sectors. With a concerted effort, and following in general the method used for seating the EIM Transitional Committee, PGE believes both the WSC and the Transitional Committee can be constituted near-term such that they are able to begin their work in early 2017 and maintain the momentum of the project. Finally, PGE believes the transition to a Regional ISO Board needs to be targeted to happen as early as possible to instill confidence among stakeholders that all parties are committed to letting go of the single-state

perspective of the past in favor of this new multi-state market and organization. While engaging on this initiative, PGE believes it is very important that all entities involved do not lose sight of the work underway to continue expansion of the Western EIM and refinement of that market model. To date, this emerging market has advanced the commercial and operational objectives of all parties involved. It is expected that the tangible and intangible benefits for existing members and their customers will only continue to grow as new members are added in the coming years. PGE believes it is imperative that this market's long-term stability not be undercut by other initiatives competing for staff and stakeholder resources. Finally, PGE requests that the next set of revised Proposals directly address how the current EIM governance structure is intended to function in relation to the Regional ISO. It is PGE's expectation that the EIM governing body would continue to have primary and hybrid authority in appropriate areas, but would like to see this relationship put forward explicitly such that existing and future EIM participants can be confident their market model is durable in the Regional ISO future envisioned.

TANC remains concerned about the piecemeal manner in which the CAISO has pursued the regionalization initiatives. For instance, the evolution of the proposed Western States Committee (WSC) and its role related to the regional Transmission Access Charge (TAC) is being addressed in two separate stakeholder processes. In addition, the CAISO is currently undertaking no less than four specific policy stakeholder processes, and there are other issues affecting regionalization, such as Transmission Planning Process and Grid Management Charge issues, that should be vetted with stakeholders in an open and comprehensive process, but which have not yet been meaningfully addressed for a regional ISO. TANC is concerned with the lack of an explicit commitment by the CAISO to ensure that all aspects of the formation of a regional ISO (including those that are currently being discussed in distinct stakeholder initiatives) will be addressed on a comprehensive basis and that one consolidated proposal, inclusive of draft tariff language, will be provided for review and comment by all affected entities prior to submission to the CAISO Board and ultimately the Federal Energy Regulatory Commission (FERC). TANC is also concerned with the proposed schedule for the CAISO's various initiatives and for the governance principles. The CAISO's proposed schedules for the initiatives and governance indicates that the CAISO will roll out at least two major draft final proposals pertaining to regionalization in December (Regional TAC and Regional Resource Adequacy), presumably expect comments in the midst of a holiday season, and then proceed to the Legislature in January on the governance proposal. The CAISO should ensure that the schedule allows for robust consideration and response by all interested entities on all aspects of the regionalization process on a comprehensive basis. TANC appreciates the CAISO's decision to increase the number of POU representatives in the WSC but urges consideration of the issues raised in these comments to ensure robust participation by entities that will be directly affected by the regionalization process. TANC also underscores the need for a comprehensive review of the Regional TAC, Regional Resource Adequacy, governance, and other pertinent rules for regionalization and urges the CAISO to ensure that there will not be a piecemeal process for conceptual and tariff submissions to FERC on such issues. Instead, the CAISO should confirm that there will be a stakeholder initiative to permit a comprehensive review of all tariff language pertaining to regionalization and that it will not submit conceptual proposals at FERC.

BPA: Overall, Bonneville believes the governance principles have moved in a positive direction from the original governance proposal, and Bonneville supports several of the adjustments that have been made. However, the principles are somewhat difficult to follow from a chronological perspective. In a foundational document of a large, region-wide organization, such as these Governance Principles, it is essential that all participants clearly understand the sequence of events that will occur in establishing the final structure of the organization. Viewed in isolation, the principles provide a coherent description of the main features and milestones for forming the regional ISO. However, it is unclear how the actions called for in the various principles fit together based on the descriptions in the Governance Principles. Bonneville attempted to develop a timeline that connected the main actions of the ISO Board and various committees with the sequence outlined in the principles. This exercise revealed a number of timing and sequencing questions that should be addressed in the next version of

governance proposal. For example: 1) Principle 4 discusses a 36 month Transition Period following a plan effective date which appears to occur after Principle 8, when the Governor approves the plan put forth by the Transitional Committee. Does this mean that the new ISO board will begin to function at the beginning of the Transition Period, with four new board members added to the existing CAISO board? 2) In order to seat new board members, the WSC must approve the selections made by the Nominating Committee, Principle 5. This principle, thus, appears to presume that the WSC will be formed at the beginning of the Transition Period. Will the WSC be formed at the beginning of the Transition Period? 3) When is the regional ISO expected to begin commercial operations? At the beginning of the Transition Period? During the Transition Period? At the end of the Transition Period or potentially after the Transition Period? 4) How will approvals from other states fold into the process outlined in the principles, i.e. will other states be going through their approval process during the Transition Period? 5) The timing of when the ISO expects to seek (and receive) FERC approval of the Governance Principles should also be included in the timeline. For instance, will the ISO file the Governance Principles with FERC prior to the Transition Period such that FERC approval of the governance structure would occur coincident with the beginning of the Transition Period? Bonneville suggests a clear timeline be added to the Governance Principles to illustrate the chronology of events that will occur during the shift from the existing ISO Board, through the Transition Period, to the new nine-member Regional ISO Board. Bonneville's understanding of the Second Revised Proposal's sequence of events is depicted in the diagram below. If the sequence of events provided in the diagram is not what the CAISO intends, Bonneville requests that the CAISO provide clarification - and its own timeline - so that stakeholders have an opportunity to comment on how the CAISO envisions the principles working together. Additionally, Bonneville suggests that the principles be re-ordered so that they follow chronological sequence of events. For example, the final principle, Principle 8, discusses that the regional governance plan becomes effective after it is approved by the ISO Board and then approved by the Governor of California. This must happen before the "Transition Period" (Principle 4) begins, during which the new board members are selected over a 36 month period. It makes sense that Principle 8 should be moved so that it precedes Principle 4. In comments on the first set of principles, Bonneville suggested that one possible approach would be to not have the existing five members of the CAISO board serve on the new Regional ISO Board, but rather the new nine member board be appointed in a hard cut over. [...]

California Environmental Justice Alliance, Asian Pacific Environmental Network, Communities for a Better Environment, The Greenlining Institute.: New Principle: Clear language to assure that state requirements are upheld and that benefits to environment and ratepayers are considered in decision-making. In SB 350, the California Legislature described the primary cornerstones of a regional authority. The first cornerstone is the requirement that a new regional authority continue to comply with state law. The relevant language provides: The transformation of the Independent System Operator into a regional organization shall not alter its obligations to the state or to electricity consumers within the state or its obligations to comply with state laws. The Independent System Operator shall retain its obligations set forth in Section 345.5, shall maintain the standards for open meetings and public access to corporate records as set forth in Section 345.5, and shall facilitate effective tracking and reporting mechanisms in support of state enforcement of [GHG requirements].¹ Section 345.5 of the Public Utilities Code explicitly requires CAISO to "ensure the reliability of electric service and the health and safety of the public"² and to manage its grid in a way that is consistent with "[a]pplicable state law intended to protect the public's health and the environment" among other things. The Legislature did not intend for CAISO to change these responsibilities when it became a regional authority. In the governance document, one principle should, using the language from Sections 345.5 and 359.5, explicitly state that a regional authority will continue to comply with these requirements and ensure that it manages the grid consistent with the laws intended to protect public health and the environment.

The Silicon Valley Leadership Group appreciates the opportunity to comment on the California Independent System Operator's (CAISO) "Second Revised Principles for Governance of a Regional ISO," released on October 7, 2016. The Leadership Group developed the following set of principles around the proposed regionalization of the ISO: 1. California should retain a voice in proportion to its population in ISO governance 2. Each state should

retain control over the development and implementation of its energy policies and resource adequacy requirements 3. A regional ISO should facilitate and implement policy directives developed at the state and federal level 4. A regional ISO should treat Distributed Energy Resources (DERs) in a comparable manner to other grid resources by Recognizing the beneficial contributions of DERs to the grid system → Providing fair compensation to DERs for the grid services they provide → Establishing reasonable and non-discriminatory interconnection and metering practices 5. A regional ISO should promote solutions that minimize curtailment of renewable resources 6. A regional ISO should promote customer choice and options 7. A regional ISO should have transparent processes and decision making that allow for active public engagement While, the Leadership Group is glad to see that much of the CAISO's revised principles align with our principles, our membership still has concerns that DERs are not sufficiently represented in the proposed governance structure. Moreover, they are concerned that customer choice is not sufficiently addressed. The Leadership Group appreciates the inclusion of one DER representative in the Transitional Committee of Stakeholders. However, we are concerned that having only one representative from this industry is not adequate as such a small voice likely will be drowned out by the larger, more influential voices in the room. Moreover, there is no directive to explicitly include DERs in the ISO Board nominating process. It is imperative that DERS have a real say in this process as the Board and the Western States Council will wield a great deal of power. Lastly, there is also no formal place for DERs on the ISO Board or the Western States Council. Again, given that these two entities will have primary authority over important issues such as resource adequacy and transmission cost allocation, it is imperative that DERs are at least given a non-voting advisory role so that their voices are heard as well in these critical grid planning processes. Finally, we are concerned that customer choice is not addressed in the CAISO's Revised Principles. It is not clear that moving to a regionalized grid will allow California businesses to maintain the many electricity source choices that they currently enjoy. Many of our large end-users rely on such choices to achieve energy cost savings and meet their environmental sustainability goals at their facilities across the state; and thus we have identified customer choice as one of our principles and respectfully ask that the CAISO consider adding a customer choice provision to its governance principles.

Utah PSC: In many respects, the Governance Proposal is superior to its predecessors. However, the proposal's retention of an overt bias toward California decision making prevents the Division from endorsing it in any significant respect. The proposal is not in Utah's public interest. These comments will not identify each deficiency seen. Rather, the Division highlights the main ways in which the Governing Proposal continues to illustrate that California is unwilling to let the California ISO become a truly independent regional body. Further, the Division notes that its ability to comment on additional proposals before the California Legislature reconvenes in January will be limited because of practical constraints and concern with the lack of draft legislation for others to review and comment on. Legislation removing a regional ISO from California's political control need not be complicated.

IID urges CAISO to drop the plan to privatize the governing board of CAISO that would replace the democratic model in which the governor selects the CAISO board with a private corporate model in which market players select the CAISO board. We urge CAISO to turn its efforts to developing a plan of reform under which it can better achieve the renewable energy goals with in-state renewable energy.

WOCA: First, we are pleased that the drafters of the Straw Proposal on Governance (Proposal) appear to have taken seriously the comments of many commenters, including the WOCA, in preparing the Second Revised Proposal on Governance. And, although we acknowledge much progress in the revised proposal, we nevertheless still have concerns about the governance proposal and the reservation of authority to the states through WSC as we will discuss more fully in our comments below. In our initial comments we raised serious concerns regarding various aspects of the Proposal including, among others, preservation of state authority, greenhouse gas accounting, transmission owner withdrawal, the transitional committee of stakeholders, the independence of the current CAISO Board of Directors, the establishment of the Western States Committee (now the WSC and formerly known as the Body of State Regulators) and the role of stakeholders and their

participation in an RSO. Additionally, we raised a number questions and made several general observations regarding the development process underlying the Proposal.

AWEA/Interwest are supportive of a transition to a regional grid operator, as a regional market structure will capture the benefits and overall efficiencies gained from the consolidation of balancing authorities and market functions, as well as allowing California, and other Western states, to more readily access some of the highest quality wind in the country to efficiently and cost-effectively achieve renewable portfolio standards and clean-energy goals. Therefore, AWEA and Interwest generally support the direction that the ISO has taken in the second revised proposal. The Second Revised Regional Governance Proposal offers additional clarity and some positive modifications. Below, AWEA and Interwest offer specific comments on each of the principles. Most significantly, AWEA and Interwest seek two modifications to the current proposal. First, the governance principles should be revised to ensure that a fully independent board is sat no later than the date the first regional Participating Transmission Owner (PTO) joins the market. Second, AWEA and Interwest believe that the voting proposals incorporated into the second revised proposal offer a reasonable balance for the various interests, but we suggest a modification to one specific voting rule. Specifically, for approval of the appointment of independent Board members, we believe a unanimous vote of the Approval Committee should be required. 1. The Second Revised Proposal proposes revisions to section 1.3 to establish a

Utah Governor's Office of Energy Development: [] The significance of regional integration to the State was reflected in Governor Herbert's March 2, 2016 letter to Governor Brown. That letter highlighted governance as a central and preeminent aspect of proposed regional expansion – a priority that continues. Governance is so critical that it should be thoroughly settled before the Western States Committee and Transitional Committees are created. [] The California ISO and the California Energy Commission have expended commendable effort to solicit the perspectives of states and other stakeholders to formulate this proposal, but the process has not been regionally-driven. Rather, it has been driven by a single state, which is an unpromising foundation for a multi-state RTO that should be broadly equitable, efficient, and durable. One valuable catalyst for a truly regional process would be a demonstration to each of the affected states of net benefits that might result from regionalization. Without such a demonstration, states are left to weigh potentially onerous costs of integration against vaguely-defined benefits. Utah's underlying requirements for regional integration remain unchanged from Governor Herbert's March letter: preservation of State sovereignty, policies, competitive power rates, and system reliability. Endorsement of a regional RTO by Utah will be contingent not on the abstract principles reviewed below, but on whether those principles are implemented in a way that meets Utah's requirements. While Utah will remain engaged with the current process, a regionally-driven alternative would offer the most favorable prospects for achieving that standard.

SDG&E: SDG&E is concerned that some stakeholders are viewing expansion of the ISO as: (i) an opportunity to extend California's climate policies into other regions of the West, or (ii) as a threat to the creation of certain kinds of jobs within the state of California. Both of these views jeopardize the prospects for expansion, and neither are consistent with the underlying mission of an expanded ISO which is to provide an efficient centralized market platform that provides all market participants equal access to the transmission grid. Governance policies which give any state, including California, undue influence over the market rules which accommodate individual state's public policy requirements, will not be attractive to entities who may be considering joining an expanded ISO. All stakeholders need to take the long view: An efficient centralized market platform with a wide geographical footprint will provide a solid foundation upon which state and federal policy objectives can be implemented with minimum cost to consumers.

ICNU: [] ICNU has commented in both the Regional Resource Adequacy ("RA") and Transmission Access Charge ("TAC") initiatives that future support for a regional ISO will depend upon a determination that: 1) joining the market will result in no harm to large customers of PacifiCorp or any other potential new PTOs; and 2) any incremental benefits associated with the market are shared equitably between market participants. Additionally, several ICNU members could be significantly impacted by the regionalization of the ISO in other

ways. For example, multiple members are power generators that might be affected considerably, in that capacity, by regionalization of the transmission grid. Also, many ICNU members take power from public utility customers of the Bonneville Power Administration (“BPA”), rendering the future role of public power and BPA in regional ISO operations and affairs of prime import. On a number of levels, therefore, the establishment of a fairly representative regional ISO governance structure will be critical to ensure the support of large consumers throughout the Northwest.

STATE BUILDING AND CONSTRUCTION TRADES COUNCIL OF CALIFORNIA: In our view, the Principles do not sufficiently protect California’s energy or climate policies. The Principles would have governance of the new ISO controlled almost entirely by a board that is not responsible to the interests of any of the participating states. The only exception would be things within the primary authority of the Western States Committee [] If adopted, the new ISO could dramatically undermine California’s ability to protect its energy and climate policies. The flaws in the Principles arise because they are based on a flawed premise: state control over its energy and climate policies is the exception rather than the rule.

Sierra Club: [] Sierra Club appreciates the work among the various stakeholders that has gone into the proposed governance documents. However, at this time Sierra Club remains opposed to the proposal to transform CAISO into a multi-state regional entity. Sierra Club does not have any specific recommendations or criticisms of the revised governance proposals. Nevertheless, it is clear that whatever governance proposals are adopted will necessarily result in the subordination of many of California’s currently held powers and authorities to manage its laws and policies – both existing policies and future policies that are not yet known – with respect to energy and climate. It is therefore imperative that California establishes baseline policies and rules on issues such as greenhouse gas regulations, resource adequacy, transmission access charges, and other principles before committing to any governance changes. At some point, California will likely be required to relinquish some of its authority if a regional energy market is to move forward. Before that occurs, California must firmly establish that its core principles, and in particular its leadership on climate change policy, will be upheld in whatever new governance structure is ultimately implemented. At this time, those core principles are neither defined nor secure. [] California has undertaken a pursuit of ambitious climate goals and is a global leader in the fight against climate change. Unless and until California ensures through the establishment of baseline greenhouse gas principles that a regional market will help, not hinder, those ambitions, Sierra Club will remain opposed to the transition to a regional market.

PAC: PacifiCorp’s comments on the Second Revised Governance Principles are based on PacifiCorp’s review and analysis of the proposals contained therein as well as informal outreach efforts with its state regulatory authorities. PacifiCorp appreciates the time and effort of its state regulatory authorities, officials, and stakeholders across the West who have contributed to advancing the regional governance dialogue, including the filing of comments on the current governance proposals. [] Without acceptable regional governance, states outside California are not likely to give PacifiCorp needed approval to participate in a regional ISO. Resolution of governance is also a priority because of timing considerations; [] it is critical that stakeholders share their views on the current governance proposals so that all issues and concerns can be addressed before a regional governance proposal can be considered by the California legislature during its 2017 session. PacifiCorp fully understands that in order to support any future requests of its states to approve its integration into a regional ISO, in addition to acceptable governance, it will also need to demonstrate that there are net benefits for each of its states. At present, PacifiCorp does not have all of the potential cost information it would need to calculate state-specific net benefits. This information is developed through pending or future market re-design stakeholder initiatives, each of which requires substantial dedication of resources from all stakeholders. If an acceptable governance proposal that supports and facilitates changes to California’s existing laws cannot be achieved in the 2017 California legislative session, there is little or no value in continuing to invest significant resources in resolving all of the market re-design stakeholder initiatives connected to the integration effort.