

Comments on Governance Review Committee Straw Proposal on Joint Authority

The undersigned organizations and individuals (“Joint Commenters”) appreciate the opportunity to submit these comments in support of the Straw Proposal presented at the Governance Review Committee (“GRC”) meeting held on May 20, 2021. Joint Commenters represent a diverse group of California and national stakeholders including environmental, business, and energy groups that have watched Western regional market debates for many years. The Joint Commenters support the Straw Proposal as a logical incremental step toward greater regional collaboration that should improve existing governance structures in the process.

Regional collaboration among Western states, including California, is a foundational part of achieving state decarbonization goals. It is difficult to foresee how California will meet its zero carbon goals articulated by Senate Bill 100 reliably and affordably without enhanced regional collaboration. Not only are resources in the future portfolios likely to involve out-of-state zero carbon resources, but transmission may be needed to interconnect such resources. As such, it is difficult to foresee a clear path forward without a partnership with our neighboring states. The Joint Authority proposal is a needed step to further regional collaboration. It shows our neighbors that we are serious about our future partnerships with them. Indeed, our neighboring states, such as Colorado and Nevada, are moving forward and legislating on how their utilities will study and participate in future Western regional markets. California needs to be at that table.

The Energy Imbalance Market (“EIM”), kicked off by PacifiCorp and the CAISO in 2014, has been an unqualified success. It has reduced costs and emissions through more efficient dispatch of generation and utilization of transmission, resulting in well over \$1 billion in savings. When PacifiCorp and the CAISO commenced their initiative, few would have predicted that it would grow to encompass approximately 80% of the consumer demand in the Western Interconnection, based on the current implementation plans. As a result of the EIM’s success, the GRC was formed by the CAISO Board of Governors and the EIM Governing Body to assess governance structures that would reflect the growth of the EIM, and possibly lay the foundation for greater regional collaboration.

The GRC’s Straw Proposal is a Joint Authority model which would require both the CAISO Board of Governors and the EIM Governing Body to approve any market design element that would be filed at the Federal Energy Regulatory Commission (“FERC”) if the filing involves CAISO Tariff provisions that apply to the EIM Entities in their capacity as EIM participants. This is a common-sense proposal because these provisions of CAISO rules directly apply to the EIM Entities and their customers, and the EIM Governing Body was set up specifically to focus on market rules that are applicable to the EIM. Today, many rules that apply to EIM Entities are only under the advisory authority of the EIM Governing Body because EIM is not the “primary driver” of the proposed market changes. This rule is not well-adapted to a growing EIM, nor does it lay a foundation for additional regional market opportunities.

The Joint Commenters support the Straw Proposal because it requires greater collaboration between the CAISO Board of Governors and the EIM Governing Body. Today many important items go the CAISO Board of Governors consent agenda where they receive little or no discussion. Greater collaboration is needed as regional market issues achieve greater prominence.

Finally, the Joint Commenters believe the dispute resolution mechanism in the Straw Proposal is appropriately streamlined and avoids many of the pitfalls inherent in the “dual FERC filing” concept

introduced in earlier proposals. The Straw Proposal provides incentives for the CAISO Board of Governors and EIM Governing Body to work things out in the West, not at FERC.

It is important to note what the Joint Authority proposal does not do. It does not replace the CAISO Board with an independent Board. It does not modify the Governor's appointment powers for the CAISO Board, nor the prerogatives of the Senate to confirm such appointments. Further it does not apply to rules such as Resource Adequacy, congestion revenues, or transmission planning, for example, because these rules do not apply to EIM. The proposal does, however, give the Board the ability to essentially veto any market changes that are proposed to go to FERC, and provides the Board with powers to act unilaterally in certain conditions such as an imminent threat to reliability or market integrity.

In short, the GRC's Joint Authority proposal furthers California's climate policies, is a needed step toward greater regional collaboration, reflects the tremendous growth of the EIM, and recognizes the continued sole role of the CAISO Board on matters central to California policy. It is a common-sense proposal that we urge be immediately adopted.

Dated: June 11, 2021

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