

**Joint Comments
of the
Balancing Authority of Northern California,
Los Angeles Department of Water and Power,
Salt River Project and
Seattle City Light**

The Balancing Authority of Northern California, Los Angeles Department of Water and Power, Salt River Project, and Seattle City Light (jointly “Public EIM Entities”) appreciate the opportunity to provide initial comments on the *Energy Imbalance Market (“EIM”) Governance Review, Issue Paper and Straw Proposal* (“Issue Paper”), dated December 14, 2018.

At the outset, the Public EIM Entities would like to commend the EIM Governing Body on several matters. First, we are very pleased by the important work that the EIM Governing Body has performed to date. The Governing Body has performed its tasks conscientiously and even-handedly. The Governing Body has made a point of listening to stakeholders and market participants. The outreach performed by the Governing Body as a whole and the efforts of individual Governors is greatly appreciated. Dialogue on important market design issues has been thorough. It follows, therefore, that the Public EIM Entities do not see a lot that is broken with respect to EIM governance currently. We certainly support incremental improvements on issues that the Governing Body believes would improve an already well-functioning governance structure. Overall, our comments on more specific issues reflect the view that the current governance structure is sound.

I. Public EIM Entities Support the Proposal to Revise Current Decisional Classification Rules

In the Issue Paper, the California Independent System Operator (“ISO”) proposes to modify the current decision classification rule to include generically applicable rules of the real-time market when the primary driver for the change is the EIM. (*Issue Paper at 4*). This change is designed to better factor the primary motivation and effect of a proposed market design change

when considering the decisional classification for that issue. It is rational to take these factors into account when making the decisional classification. Indeed, it can be argued that the original “but for” test for decisional classification is aligned with this concept; certainly, there have been market rules with broad application, including current issues surrounding default energy bids, that are highly likely not to have surfaced “but for” the importance of the issue within the EIM footprint.

Public EIM Entities also support the process and timeline for making proposed charter amendments as set forth in the Issue Paper. (*Issue Paper at 5*).

II. Potential Issues for EIM Governance Review

A. Consideration of Most Core Governance Issues is Premature

As stated above, the current governance structure works well. Given that consideration of several issues, including governance, is likely to commence with the upcoming stakeholder process on the Extended Day Ahead Market (“EDAM”), Public EIM Entities urge the ISO and the EIM Governing Body not to expend considerable effort and attention on governance at this time, given that any EDAM-centric discussion would overtake EIM-specific governance dialogue commenced now.

The ISO appears to recognize this conundrum when it states:

The EIM Entities are currently undertaking a feasibility assessment to consider the viability and potential benefits associated with adding a day-ahead market to the current Western Energy Imbalance Market. Because this assessment is ongoing, it is premature to consider broader substantive changes to the potential scope of authority that could be delegated to the EIM Governing Body in the event such a market is developed. (*Issue Paper at 6*).

The Public EIM Entities are concerned, however, that what follows in the Issue Paper includes very important issues that will consume considerable ISO and stakeholder time and

attention, despite the fact that much more extensive market and governance discussions may occur on EDAM in a matter of months. The Issue Paper tees up such core issues as further changes to decisional classifications (*Issue Paper at 6*), the nomination process for the Governing Body and the structure and duration of terms (*Issue Paper at 7*), and the role and structure of supporting stakeholder processes including the Regional Issues Forum and the Body of State Regulators (“BOSR”) (*Issue Paper at 7-8*).

There is little doubt that each and every one of these issues will be considered if the initial feasibility assessment of EDAM demonstrates enough potential benefit to consumers to warrant the extensive time and investment from all parties that it will take to develop a workable EDAM proposal. Indeed, as part of a regional public power group, the Public EIM Entities supported an extensive position paper on governance as part of the consideration of issues surrounding PacifiCorp’s proposal to become a Participating Transmission Owner. That position paper included a role for public power in any regional committee of regulators (analogous to the BOSR), and formation of a more formal Stakeholder or Market Advisory Committee.¹ These issues continue to be critical to public power and must be fully considered in any process commenced to consider governance.

Concurrent with these comments, the EIM Entities as a whole are also submitting comments, including support for the formation of a working group or committee to be established in the near term that would then be poised to help facilitate and shape discussion on broader governance issues. The Public EIM Entities support the step of creating a properly-

¹ All comments, including the comments of regional public power entities, can be found at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=16-RGO-01>

constituted working group or committee but, consistent with the EIM Entity group as a whole, do not support that working group or committee delving into governance issues until such time as we have more certainty about the future of EDAM discussions.

Many parties can be expected to argue that the process to consider governance changes should commence now because it will take a long time to consider and develop, or further, that any concepts developed now can translate over to EIM if EDAM does not move forward. We do not believe it is that simple. First, all stakeholders are hard pressed now to engage meaningfully on a myriad of market issues that place pressure on staff and resources, not to mention related policy initiatives in state or federal forums that demand attention. When something is already working well, we simply do not have the luxury of commencing a process without an underlying assessment and belief that there is a significant problem, and further, that benefits flowing from a resulting initiative justify such an effort. Second, the Public EIM Entities expect that issues such as the role of the BOSR and the RIF or advisory stakeholder committee will be shaped by the market design itself; it matters whether we are designing the governance proposal for EDAM, or for EIM. In short, we urge that consideration of broader governance issues be aligned with the EDAM stakeholder process, if the feasibility assessment concludes there are benefits that warrant further consideration of this market change.

B. The Role of the EIM Governing Body and Consideration of EDAM

An issue that will need to be addressed when EDAM is considered will be the role of the EIM Governing Body and its authority as it relates to that process. By definition, EDAM relates to the rules associated with the Day Ahead Market. As such, as the decisional classifications work currently, the Governing Body would be limited to an advisory role. This seems inappropriate. EDAM is, by definition, primarily driven by the potential identification of

benefits by extending Day Ahead functions to the EIM Entities. Moreover, the impacts on the existing energy markets in the Western Interconnection are likely to be profound. There are several potential solutions to this problem which could include elevating the classification to primary or hybrid, or other mechanisms that would ensure that the EIM Governing Body role was commensurate with the regional scope of the EDAM proposals. The Public EIM Entities would support consideration of changes to clarify the important role the EIM Governing Body should have in the consideration of EDAM proposals.