

**Comments
of the
Public Power EIM Entities**

*EIM Governance Review: Straw Proposal for Formation
of an EIM Governance Review Committee*

In accordance with the procedures specified by the California Independent System Operator Corporation (“CAISO”), the Balancing Authority of Northern California/Sacramento Municipal Utility District (“BANC/SMUD”), Los Angeles Department of Water and Power, Salt River Project and Seattle City Light (“Public Power EIM Entities”) provide these comments on the Governance Review Committee (“GRC” or “Committee”) Straw Proposal.

The Public Power EIM Entities endorse the consensus comments of the full EIM Entity coalition, and provide these comments for emphasis and on certain other issues.

Committee Concept and Structure Generally

GRC Size

The Public Power EIM Entities support the formation of the GRC as a mechanism to guide development of any reforms to EIM governance, including governance structures applicable to an Extended Day Ahead Market (“EDAM”), if EDAM moves forward. We believe the Straw Proposal of 11-13 committee members is about the right size, but urge the CAISO not to be rigid in this regard. If a small amount (1-2 additional Committee members) is helpful to achieve appropriate composition diversity of participation in the GRC, we would not oppose that small expansion. The Charter should be provided needed discretion and flexibility in this regard.

Service of the CAISO Board of Governors (“Board”) and EIM Governing Body (“Body”)

The Public Power EIM Entities do not object to service on the GRC by the CAISO Board and EIM Body, if the roles are reduced to advisory only. Having Board and Body inclusion in

the GRC discussion may be helpful to build an understanding of the trade-offs inherent in any governance structure. However, it is inappropriate for the Board and Body representatives to have a voting role on recommendations from the Committee on which they will have the ultimate decisional authority when they are brought forward for final resolution. Appropriate changes to the Charter are necessary to ensure that these Board and Body seats are advisory only.

Definition of Sectors and Role of Federal Power Marketing Administrations

It is well known that the Bonneville Power Administration (“BPA”) is undertaking a public process to consider entry as an EIM Entity. Given their unique federal status, marketed resources, and transmission footprint, it is important to find a role for power marketing administrations (“PMA”) in the GRC. It will be important to PMA customers that the governance discussions include this federal perspective. Nevertheless, no PMA has yet made the financial, legal, and other commitments that define EIM Entity participation. Further, an entity that has not signed an implementation agreement nor is currently an EIM market participant is unlikely to have the knowledge, experience and relationships to represent this sector. As such, we do not support inclusion of PMAs in the EIM Entity sector. Nor do we support the inclusion of PMAs in the public power sector to the exclusion of other public power entities, given that the federal role is so unique. To resolve this issue, we support consideration of an additional sector that includes Neighboring Balancing Authority Areas to the EIM footprint. This would include a number of entities that regularly participate in regional dialogues and may be considering EIM membership. A similar sector is included in the Regional Issues Forum (“RIF”) sector classification and has been represented by BPA, BANC (at that time not an EIM Entity) and other active representatives and RIF officers from this sector. One of the reasons we suggest flexibility on GRC size is to include this additional sector. Combined with the advisory role of

the Board and Body, this should enable an inclusive approach to GRC composition, while maintaining a manageable Committee size.

Public Power Sector Definition

The naming convention and definitions in this sector need to be broad enough to encompass various public power forms across several states. The “publicly-owned utility” nomenclature is very close to definitions within the California utilities code and could create confusion. Further, in order to implement the suggestion above to not include the PMAs in the public power sector, we have provided redline suggestions to the sector definition included in Charter Section C.1.c., as follows:

Publicly Power Utilities Sector: This sector contains every public power utility that is located within the balancing authority of the ISO, an EIM Entity, ~~or an~~ entity that has executed an EIM Implementation Agreement to become an EIM Entity, or a utility within the Neighboring Balancing Authority Area sector. ~~—or a balancing authority that has entered into a formal public process to consider joining the EIM.~~ A public power utility that is excluded from certain provisions of the Federal Power Act by virtue of Section 201(f) of the Act, and encompasses several forms of incorporation under state law. By way of illustration, this includes, without limitation, municipally owned utilities, special districts, joint action agencies, irrigation districts, state agencies directly in the business of power generation or distribution, and power cooperatives. A publicly owned power utility that also falls within either the EIM Entity, ~~sector, the~~ Participating Transmission Owner, or Neighboring Balancing Authority Area sector shall may instead participate in that sector.

Time Allotted or GRC Work

The Straw Proposal expects the GRC to complete its work in 6-8 months. While admittedly an estimate, this time frame is likely overly ambitious if EDAM governance is included in the GRC scope of work. Unreasonable expectations, either in the form of service by GRC members or in the stakeholder community at large, are unwise. The Charter should provide either a longer period of expected service, or more flexibility in the language.

Board and Governing Body Discretion on Selection of GRC

The EIM Public Power EIM Entities support the exercise of discretion of the Board and Body in the ultimate selection of the GRC, including the process outlined in the Straw Proposal that provides stakeholders a role to identify and rank candidates but gives the Board and Body the discretion to select committee members from the ranked slate. Consistent with the whole of the EIM Entity coalition, we suggest a bit more specificity as to how that discretion will be exercised. We recommend weighting heavily the inclusion of at least one choice from each sector, skill set diversity, and geographic diversity that balances both sub-regional representation and California/non-California representation. While these factors are not intended to be binding, they are appropriate guideposts to guide the exercise of the Board and Body as they comprise the GRC.

GRC Scope of Work

One issue that has arisen in governance discussions historically is more formalization of CAISO stakeholder processes, including formation of a Market Advisory Committee. This is an important issue in grid operator governance constructs, and the proposal and Charter need to clearly reflect that this issue is within the scope of the GRC's anticipated work.