

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
ON THE EIM GOVERNANCE REVIEW COMMITTEE SCOPING PAPER**

The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the “Six Cities”) provide their comments on the EIM Governance Review Committee Scoping Paper dated January 29, 2020 (the “Scoping Paper”).

The Six Cities own and operate municipally-owned electric systems located within the Balancing Authority Area (“BAA”) of the California Independent System Operator Corporation (“CAISO”). The Cities are load-serving entities (“LSEs”) and participate in the CAISO’s markets as both purchasers and sellers. All Six Cities also are Participating Transmission Owners (“PTOs”) in the CAISO.

On an overall basis, the Six Cities believe that the existing governance framework for the Energy Imbalance Market (“EIM”) has been functioning effectively, and the Cities do not see a need for significant changes to EIM governance. In particular, for purposes of providing oversight of the currently effective EIM processes, market rules, and market outcomes, the role of the EIM Governing Body and the scope of its authority have been defined and implemented appropriately.

If, however, the Extended Day-Ahead Market (“EDAM”) initiative results in the expansion of the CAISO’s Day-Ahead Market processes to include EIM Entities, then it would be appropriate to modify the authority of the EIM Governing Body to recognize implementation of the EDAM. The Six Cities support a structure for EDAM governance that would provide joint oversight responsibility and authority to the EIM Governing Body and the CAISO Board of Governors for market rules and policies that would affect the CAISO’s Real-Time Market processes and/or its Day-Ahead Market processes. Such a joint oversight structure would facilitate active involvement and in-depth review by members of both the EIM Governing Body and the CAISO Board of Governors for market policies and rules and would provide co-equal authority for the two governing bodies.

It would not be appropriate to grant primary authority over the EDAM rules and processes to the EIM Governing Body and to limit the role of the CAISO Board of Governors to review through a consent agenda process. LSEs within the CAISO BAA will continue to serve a very large portion, if not a majority, of load served through EDAM transactions. In addition, market participants within the CAISO BAA have no choice about participating in all of the CAISO’s markets, while the EDAM design currently under discussion contemplates that participation in the EDAM will be voluntary for EIM Entities (and perhaps for individual resources within EIM Entity BAAs). It would be unreasonable to provide the EIM Governing Body primary authority over market rules and policies that could be avoided or escaped by EIM Entities but would be imposed on all market participants within the CAISO BAA with only limited review by the CAISO Board of Governors.

The Six Cities also note that any expansion of the authority of the EIM Governing Body should trigger a review of the Grid Management Charges applicable to EDAM transactions. In

general, governance responsibility and authority should align with cost support for market functions. In the absence of such alignment, governance decisions could result in cross-subsidization among different market segments.

With regard to the potential establishment of a more structured stakeholder advisory committee to replace the current Regional Issues Forum (“RIF”), as discussed at pages 11-12 of the Scoping Paper, the Six Cities believe that the RIF has provided a constructive and effective venue for identification and discussion of market issues and do not see a need for a more formal or “representative” stakeholder advisory committee. Although the Cities would not object to the creation of a stakeholder advisory committee, any such group should not have any special status in CAISO stakeholder initiatives or similar processes conducted by the EIM Governing Body. Opportunities for stakeholder input on potential market design or policy changes should remain open to all interested stakeholders with no preferred status for any particular sub-group.

The Scoping Paper at pages 12-13 requests stakeholder input on whether the CAISO should provide funding for the Board of State Regulators (“BOSR”) to procure technical expertise to enable it to participate more effectively in EIM processes. As noted at page 13, footnote 33 of the Scoping Paper, the CAISO already provides significant staff support for the BOSR, including “education and information about the EIM.” The Six Cities oppose any additional funding for BOSR activities through the CAISO. Although participation by state regulatory representatives in CAISO, EIM or EDAM stakeholder processes is appropriate, there is no legitimate reason to require market funding for such participation. Each state regulatory authority should determine the level of participation that it considers desirable and fund that level of participation through its normal budgeting process. To the extent BOSR representatives seek to achieve economies through joint retention of technical experts, nothing would prevent the interested states from establishing a joint funding mechanism for that purpose. Due to the reasons above and the lack of representation of public power and/or federal marketing agencies on the BOSR, imposing such a funding obligation on all market participants through the CAISO is not appropriate.

Submitted by,

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