

Submitted by	Company	Date Submitted
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Portland General Electric Company (PGE) appreciates the opportunity to comment on the CAISO EIM Transitional Committee’s March 19, 2015, *Straw Proposal on Long-Term Governance of the Energy Imbalance Market* (“Straw Proposal”). In previous comments, PGE expressed support for an autonomous governance structure for the Energy Imbalance Market (EIM).¹ PGE continues to believe this is the most appropriate model for a multi-state, multi-entity program. In fact, PGE believes it is the only model that has the potential to attract widespread regional participation in the EIM by a variety of entities. PGE recognizes that the CAISO expects the benefits of their EIM to increase as participation in their program increases. In PGE’s appraisal, the Transitional Committee’s current proposal would not promote the increased participation they desire, and would therefore not result in maximizing the long-term benefits of the EIM program for existing or future participants.

However, PGE understands the Transition Committee’s desire to put forward a proposal aimed at providing a short-term solution for existing and already-committed EIM entities. Therefore, while PGE’s recommendation remains a fully autonomous governance structure that promotes broad participation, PGE submits the following comments which outline potential ways that the Transitional Committee can improve on the proposed delegated authority model.

PGE agrees with the Transitional Committee that it is important to maintain “an eye toward the future as Western electricity markets evolve.”² If the CAISO wishes to run a truly regional market, fundamental changes to the ISO’s overall governance structure are needed.

As the EIM expands in geographic scope, it will become more difficult to justify a governance structure where the ultimate decision makers are California political appointees, particularly when the CAISO’s governing statutes require that “[t]he Independent System Operator ... conduct its operations ... consistent with the interests of the people of the state [of California]”³ and that the CAISO “reduc[e], to the extent possible, overall economic cost to the state [of California’s] consumers.”⁴ PGE finds it difficult to

¹ PGE has also actively participated in, and commented on, the CAISO EIM program beyond the area of governance, including recent comments on the CAISO Year One Enhancements submitted February 25, 2015.

² Straw Proposal at p. 2.

³ Cal. Pub. Util. Code § 345.5(a).

⁴ Cal. Pub. Util. Code § 345.5(b)(2).

reconcile these California-specific mandates with non-California entity participation in the CAISO EIM, particularly given the obligations such entities would have to their own customers in other states. PGE therefore recommends that the Transitional Committee advocate for the CAISO to begin immediately exploring further governance changes in order to align with the evolution of the Western energy markets.

Structure

PGE supports, at a conceptual level, the structure and composition of the Transitional Committee's proposed nominating committee. However, PGE believes that the nominating committee's members should be representative of the EIM, rather than the ISO. PGE suggests that, other than the Participating Transmission Owner representative, nominating committee voting member should have direct participation in the EIM, or in both the EIM and the ISO; participation in the ISO alone should not qualify for representation on the nominating committee. Additionally, PGE recommends that a second EIM Entity representative be added to the nominating committee.

These changes, along with the consensus requirement, will promote the development of an EIM nominating committee that is truly representative of EIM interests. The Participating Transmission Owner representative, along with participation and input from the non-voting members, will ensure that CAISO's interests are considered as well when appropriate and directly related to the EIM.

Scope of authority

PGE understands the drivers behind the Transition Committee's recommendation of the delegated authority model; however, PGE believes that some incremental changes to the proposal could work to provide those stakeholders who prefer more autonomy greater confidence in the EIM Governance structure.

PGE recommends that the Transitional Committee remove the requirement that the CAISO Board vote on rules that are unique to the EIM. This structure would be more in line with PJM's governance structure.⁵ In this model, for proposed changes to EIM market rules that

⁵ In PJM, the Member's Committee maintains sole authority over the Operating Agreements, while the PJM Board maintains sole authority over the OATT and Reliability Assurance Agreements. See PJM Manual 34: PJM Stakeholder Process (Revision 6, January 2015) at page 5:

"Members Committee maintains section 205 authority over the Operating Agreement, and that the Board of Managers maintains section 205 authority over the Open Access Transmission Tariff (Tariff) (with the exception of certain Tariff provisions that are under the exclusive control of the Transmission Owners) and the Reliability Assurance Agreements."

See also: Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (February, 2015) Section 8.8 Powers of the Members Committee, "The Members Committee, acting by adoption of a motion as specified in Section 8.4, shall have the power to take the actions specified in this Agreement, including:

i) Elect the members of the PJM Board;

are unique to the EIM, the CAISO Board would have a formal advisory role to the EIM Governing Body, providing review and comments, but would *not vote on the proposal*. Similarly, the EIM Governing Body would provide formal review and comments to the ISO Board on other market rules that may have an impact on the EIM. As in the current *Straw Proposal*, both governing bodies would be required to consider the advisory opinion when deliberating a proposal, and the substance of the opinion would be included in any FERC filing made by the ISO staff to implement the proposed rule change.

This structure would allow the EIM Governing Body sufficient autonomy for issues pertaining solely to the EIM market. This increased autonomy for the EIM Governing Body goes part way towards addressing the preference of many stakeholders for autonomy, without incurring the legal and cost disadvantages that the Transitional Committee believes would arise under the fully autonomous model.

Additionally, eliminating the dual vote requirement would increase the likelihood that proposed changes to EIM rules would proceed smoothly and quickly. As currently proposed, changes to EIM rules could be delayed significantly if there is a disconnect between the CAISO Board and the EIM Governing Body.

While PGE believes that autonomy should be the ultimate goal, PGE would view this change as a positive interim step for EIM participants.

Documentation

PGE would like more assurance that authority delegated to the EIM Governing Body would be durable. PGE would like more information on the proposed “constrained” approach to amending the bylaws and how this approach would provide sufficient assurance of the durability of the governance structure to market participants.

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- ii) In accordance with the provisions of Section 18.6 of this Agreement, amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;
 - iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;
 - iv) Terminate this Agreement; and
 - v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.”

And Section 18.6 Amendment:

“(a) Except as provided by law or otherwise set forth herein, this Agreement, including any Schedule hereto, may be amended, or a new Schedule may be created, only upon:

- (i) submission of the proposed amendment to the PJM Board for its review and comments;
- (ii) approval of the amendment or new Schedule by the Members Committee, after consideration of the comments of the PJM Board, in accordance with Section 8.4, or written agreement to an amendment of all Members not in default at the time the amendment is agreed upon; and
- (iii) approval and/or acceptance for filing of the amendment by FERC and any other regulatory body with jurisdiction thereof as may be required by law.”

Committee of regulators

PGE supports the creation of a committee of regulators. PGE believes that it is important for there to be avenues of direct communication between state regulators and the EIM Governing Board.

PGE also asks that the Transitional Committee consider the benefits and drawbacks of including a formal “Members Committee” that would provide an opportunity for EIM participants to have a formalized role in the EIM governance framework.

Trigger for re-evaluating EIM governance

As stated above, PGE continues to support the development of a fully autonomous governance structure for the EIM, as well as an ongoing review of the CAISO’s fundamental governance structure.

As to the specific triggers to re-evaluate the EIM governance if the CAISO moves forward with the Transitional Committee’s recommendation, PGE is generally supportive of all the triggers, with some concerns about trigger four listed on page 26 of the Straw Proposal. Specifically, PGE is concerned that while the other five triggers occur when a participant takes action, trigger four occurs when the ISO takes action. With the way that trigger four is framed, PGE is concerned that the ISO would have the ability to impose additional unwanted functionality on EIM participants. PGE asks that the Transitional Committee provide clarification on the type of activity the CAISO could take unilaterally to trigger governance reevaluation.

Criteria for evaluating proposals

PGE supports the criteria for evaluating proposals, but prefers the specific criteria as originally proposed. While PGE generally agrees with the general criteria proposed by AWEA, we believe that the Transitional Committee should retain at least the specific criteria with regards to *Compliance with Legal Requirements and the Committee Charter*. Given the complexities of the energy industry’s legal and regulatory environment, it is essential that any proposal from the Transitional Committee be evaluated in light of these intricate interwoven requirements.

Miscellaneous items

PGE requests that the Transitional Committee provide a draft timeline for the implementation of the EIM governance structure.

PGE appreciates the opportunity to provide comments to the Transitional Committee with regard to the *Straw Proposal on Long-Term Governance of the Energy Imbalance Market*.