

Western Energy Imbalance Market & Extended Day-Ahead Market Governance Update

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Overview

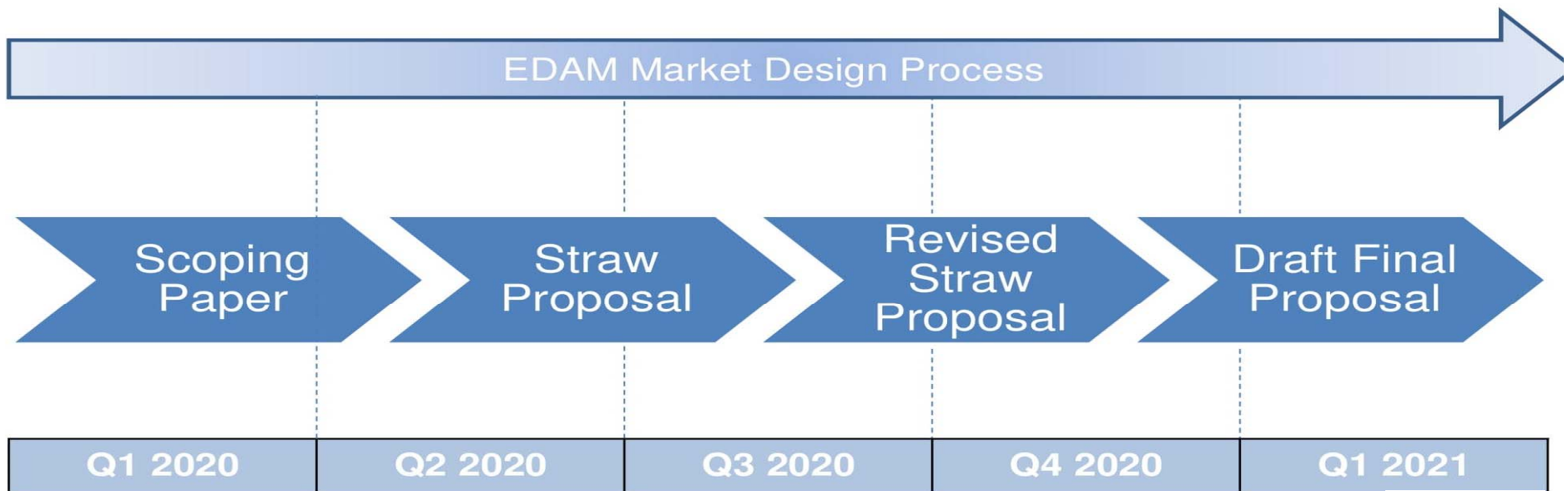
- Purpose of the Governance Review Committee
- Governance review process and timeline
- Key points from prior District comments
- NW public power governance interests
- Key points for upcoming comment opportunity

Purpose of Governance Review Committee

- Stakeholder advisory group to the Western Energy Imbalance Market (EIM) Governing Body and the California Independent System Operator (CAISO) Board of Governors
- Chartered with providing recommendations on improving Western EIM governance *and* governance enhancements in the event that a day-ahead market (EDAM) is added to the current EIM market structure

Process and Timeline

- Iterative public process with a series of proposals and opportunity for stakeholder comment
- GRC proposal will eventually go to the EIM Governing Body and CAISO Board for a joint decision



Prior District comments

- *There are substantial operational and reliability benefits from regionalizing markets but also increasing risks.*
- *Risk profile of EDAM is significant compared to EIM.*
- *Governance must be sufficiently independent from California political interests.*
- *Regional EIM/EDAM Governing Body must be able to develop market rules with sufficient autonomy.*
- *CAISO Board should not be able to unilaterally create new market rules, or shrink Governing Body authority, without some form of independent third-party review.*

NW Public Power Interests

- Independent board with an independent selection process
- With decision making authority over market rules that impact EDAM footprint
- Durability of independent board
- Enhanced formal input to independent board
- Third party dispute resolution
- Exit provisions and financial protections
- Independent board input into CAISO resource allocation
- Transparent process and review

NW Public Power Interests, cont.

- Main governance design features from current proposal:
 - Joint authority between EIM Governing Body and CAISO Board
 - “Jump ball” tariff filing with FERC to resolve market design disputes
 - CAISO Board can unilaterally revoke Governing Body’s delegation, with notice period
 - Potential access to an outside market expert

Upcoming District comments

Revised straw proposal comments are due February 3rd

- *GRC proposal on balance improves EIM governance.*
- *For EDAM, additional modifications would be required to assure a level governance playing field for all market participants.*
- *Current California legal framework appears significantly limited in its ability to facilitate a regional market governed by a durable, broadly representative decision-making body.*
- *CAISO Board's need to retain unilateral ability to revoke a delegation of authority and maintain final control over changes to market rules is problematic.*
- *These legal limitations may foreclose solutions that bolster the governance framework for EDAM.*