

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator

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Docket No. ER18-2366

**ADVICE OF THE WESTERN INTERCONNECTION REGIONAL ADVISORY BODY
ON THE §205(d) RATE FILING: 2018-08-31
RELIABILITY COORDINATOR SERVICES AMENDMENT
TO BE EFFECTIVE 11/15/2018**

September 21, 2018

I. Introduction

The Western Interconnection Regional Advisory Body (WIRAB) appreciates the opportunity to submit advice to the Federal Energy Regulatory Commission (FERC or Commission) on the California Independent System Operator’s (CAISO) proposed tariff amendment to provide reliability coordinator (RC) service to balancing authorities (BAs) and transmission operators (TOPs) within the Western Interconnection. WIRAB is a Regional Advisory Body, created by the Commission upon petition by the Western Governors and in accordance with Section 215(j) of the Federal Power Act (FPA). WIRAB’s membership is comprised of states and provinces with territory in the Western Interconnection, represented primarily by Public Utility Commissioners and State Energy Office Directors who understand the importance of bulk power system reliability, efficient and cost-effective RC services, and robust stakeholder engagement. Section 215(j) of the FPA authorizes WIRAB to advise FERC, the Electric Reliability Organization (ERO), and a regional entity on the following matters: (1) the governance of an existing or proposed regional entity within the Western Interconnection; (2) whether a reliability standard proposed to apply within the Western Interconnection is just, reasonable, not unduly discriminatory or preferential, and in the public interest; (3) whether fees for activities under section 215 of the FPA proposed to be assessed within the Western Interconnection are just, reasonable, not unduly discriminatory or preferential, and in the public interest; and (4) any other responsibilities requested by the Commission (collectively, 215(j) activities). Section 215(j) also provides that FERC “may give deference to the advice of any regional advisory body if the body is organized on an Interconnection-wide basis.” FERC has previously deferred to WIRAB’s advice to Peak Reliability, noting that deference to WIRAB was appropriate where topics listed in FPA section 215(j), such as “governance of an existing or proposed regional entity ... [and] whether fees proposed to be assessed within the region are just, reasonable, not unduly discriminatory or preferential, and in the public interest,” have been implicated.¹

¹ FERC Order on Rehearing, Docket No. EL13-52 et al., P. 46 (Dec. 6, 2013).

II. Background

On August 31, 2018 the CAISO submitted to the Commission a proposed tariff amendment to provide reliability coordinator (RC) service to balancing authorities (BAs) and transmission operators (TOPs) within the Western Interconnection. The CAISO is seeking certification as an RC from the North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC) and intends to begin offering RC service within its BA footprint by July 1, 2019 and to other BAs and TOPs in the Western Interconnection as early as September 1, 2019.

The RC is the entity with the highest level of authority responsible for the reliable operation of the bulk electric system. WIRAB supports the CAISO proposed tariff amendments and highlights for the Commission its general principles regarding the governance and oversight of proposed RCs in their role as new reliability-focused regional entities within the Western Interconnection.

Over the past several months, WIRAB has worked closely with the CAISO to address such concerns, by engaging with the CAISO on the development of a CAISO RC oversight committee charter. Section 19.11(a) of the proposed CAISO Tariff amendment provides that the “CAISO will establish a Reliability Coordinator Oversight Committee that will provide RC Customer input and oversight to the CAISO’s provision of RC Services.” Further, section 19.11(b) provides that the “CAISO will, in consultation with prospective RC Customers, adopt a public charter that prescribes the membership, responsibilities and procedures of the Reliability Coordinator Oversight Committee.” This oversight committee will play a significant role in driving CAISO RC decisions.

The CAISO has worked with a steering committee comprised of BAs and TOPs to inform the establishment of, and develop a charter for, this oversight committee. The purpose of the oversight committee charter is to establish an RC oversight committee, as required by the CAISO’s proposed tariff amendment, and to prescribe the “membership, responsibilities, and procedures of the [RC] Oversight Committee and its working groups.” The CAISO has shared drafts of a proposed oversight committee charter with WIRAB. WIRAB has reviewed each draft and has worked collaboratively with the CAISO in an effort to improve the proposed charter and to ensure that RC decision-making best serves the public interest. Through these efforts, WIRAB has identified three key principles that should be addressed by all entities seeking to provide RC services within the Western Interconnection.

III. WIRAB’s Key Principles and Recommendations for RC Governance and Decision-Making

As the Regional Advisory Body for the Western Interconnection, WIRAB has identified three guiding principles it believes are important to ensuring that the provision of RC Services is conducted in a manner that best serves the public interest. RC governance documents should support/provide for:

1. Transparent decision making by the RC;
2. Independent decision making by the RC; and
3. Meaningful input and advice from WIRAB.

WIRAB has been working with the CAISO in an effort to incorporate WIRAB’s key principles into the CAISO RC oversight committee charter. These principles and their application to the CAISO RC oversight committee charter are discussed in greater detail below.

1. RC governance should support transparent decision-making by the RC.

Once certified, RCs for the Western Interconnection will use their authority as needed to make real-time and next day operational decisions within their RC footprint. This discretion will create opportunities for the RC to impact the operation of generation and transmission resources. For example, access to a diverse set of generation resources over a broad RC footprint will provide multiple options for addressing reliability problems and, if needed, broad discretion for curtailing generation resources. With this level of discretion, and in the larger context of market expansion, oversight and transparency into the RC's decision-making processes will be essential to establishing and maintaining the confidence and cooperation of RC customers and other stakeholders, including ratepayers who ultimately pay for RC services and fund the development and acquisition of the RC's capital assets.

WIRAB recommends that, in order to ensure transparent decision-making by an RC, RC governance documents should provide that RC Oversight Committee meetings be open to the public to the broadest extent possible, but allow for closed meeting sessions and the withholding of Critical Electric Infrastructure Information (CEII) or confidential information where necessary and appropriate. This model has worked successfully for other reliability-focused organizations in the Western Interconnection that need to balance transparency with appropriate protections for non-public data (i.e., the Western Electricity Coordinating Council and Peak Reliability) and WIRAB believes that this model would work successfully for RC service providers in the Western Interconnection, including the CAISO RC, as well.

WIRAB believes the CAISO RC oversight committee charter calls for transparent decision-making by the CAISO RC. WIRAB has reviewed multiple drafts of a proposed oversight committee charter and has been closely engaged in efforts to work with the CAISO to resolve issues involving transparency. WIRAB's primary concern was that meetings of the oversight committee, oversight committee work groups, and meeting summaries be open/available to the public. The CAISO responded positively to WIRAB's recommendations on supporting transparent decision-making, providing in a latest draft of the proposed charter that public sessions of the oversight committee would address areas of interest to WIRAB and other interested stakeholders and allowing that oversight committee meetings "may also include a non-public session." WIRAB appreciates the CAISO's efforts to address this concern and to articulate clear standards in the proposed oversight committee charter, clarifying the circumstances under which meetings or materials will be closed/not available to the public.

2. RC governance should support independent decision-making by the RC.

The RC is the entity with the "highest level of authority who is responsible for the Reliable Operation of the Bulk Electric System [(BES) and] . . . the authority to prevent or mitigate

emergency operating situations in both next-day analysis and real-time operations.”² Ongoing changes within the Western Interconnection have and continue to present unique reliability challenges and opportunities for the provision of RC services. It is important that the direction and efforts of RC service providers are guided by an independent decision-making body that is committed to ensuring transparency, protecting the public good, maintaining or improving the current level of reliability in the West, and representing the best interests of a broad spectrum of RC customers and ratepayers within their RC footprint. This independent body should operate on an ongoing basis to direct and oversee RC activities.

In the past, concerns over performance and reliability led to a West-wide, stakeholder-driven effort to: 1) consolidate western RCs into a single interconnection-wide entity at WECC; 2) establish independence of the RC from host utilities and organizations; and 3) capture economies of scale needed to develop the capability and tools necessary to monitor the entire Western Interconnection. Following the 2011 Southwest Outage, WECC, NERC and FERC agreed that greater situational awareness and independence of the single RC was necessary. In response, the West established a single, independent organization with a social-welfare mission that focused solely on the provision of RC services; an entity that would monitor the Western Interconnection, promote West-wide situational awareness, and ensure reliability. Now, once again, we face the prospect of an increased number of entities—entities that may not necessarily maintain an appropriate level of independence from host utilities and industry organizations—providing RC services and other non-RC services in the West.

Under the proposed charter, oversight committee members—including senior-level representatives from Balancing Authorities (BAs) and Transmission Operators (TOPs)—would play a significant role in driving decisions made by the CAISO RC. The role of the oversight committee would be “to provide input and guidance to the CAISO RC management on all matters relating to the CAISO’s performance of the RC function.” Based upon earlier concerns that, in the event of a disagreement, the proposed charter would generally favor the position of the oversight committee to that of the CAISO RC management, WIRAB advised the CAISO that the charter should support independent decision-making by CAISO RC management and include language indicating that CAISO RC management will give appropriate deference to the advice of the oversight committee. WIRAB believes that the oversight committee charter appropriately calls for the CAISO RC management to act as the final decision-making body for all decisions with reliability implications; with CAISO RC management operating under the advisement and oversight of the oversight committee, WIRAB, consumer advocates, and other interested parties. WIRAB is supportive of the proposed role of the oversight committee as an advisory body to the CAISO RC management. WIRAB is also supportive of CAISO RC management giving appropriate deference to the advice of the oversight committee on RC related matters, but retaining final decision-making authority with respect to decisions that may impact the reliability of the Western Interconnection. WIRAB acknowledges and appreciates the CAISO’s efforts to address WIRAB’s concerns surrounding the independence of the CAISO RC.

² North American Electric Reliability Corporation, Glossary of Terms Used in NERC Reliability Standards (updated June 12, 2018).

- 3. RC governance documents should memorialize a specific role for WIRAB to advise RC decision-makers on the perspectives of state policymakers and regulators and to ensure that the policies of the RC are just, reasonable, not unduly discriminatory or preferential, and in the public interest.**

As the Regional Advisory Body for the Western Interconnection, WIRAB has unique statutory authority to advise FERC, NERC, and WECC on reliability matters. Section 215(j) provides that FERC “may give deference to the advice of any regional advisory body if the body is organized on an Interconnection-wide basis.” Accordingly, FERC has noted that deference to WIRAB is appropriate where topics listed in FPA section 215(j) are implicated and has previously deferred to WIRAB’s advice to Peak Reliability.³ As the primary provider of RC services in the Western Interconnection at this time, Peak Reliability has also safeguarded opportunities for WIRAB to advise the Peak Board of Directors, providing within its bylaws that, the Board will give serious consideration to WIRAB’s recommendations.⁴

WIRAB recommends that decisions made on behalf of an RC in the Western Interconnection should be well-informed by the perspectives of state policymakers and regulators and should demonstrate that an RC is highly effective in serving the public interest in the performance of its duties and responsibilities. WIRAB believes that the CAISO RC oversight committee charter appropriately memorializes a specific role for WIRAB to advise the CAISO RC management and the oversight committee on reliability matters. Maintaining an open channel of communication between the CAISO RC management, the CAISO RC oversight committee and WIRAB will be important to informing interactions and collaboration between the CAISO RC and state regulators and policymakers. The CAISO responded positively to WIRAB’s recommendations on supporting an advisory role for WIRAB, providing in a latest draft of the proposed charter that “WIRAB will have a liaison role to provide input and feedback on general strategic decision-making to CAISO RC management and to the Oversight Committee on changes to the oversight structure, strategic planning and performance of the RC function.” WIRAB appreciates the CAISO’s efforts to appropriately memorialize a specific role for WIRAB to directly advise the CAISO RC on these important reliability matters.

IV. Conclusion

WIRAB appreciates the opportunity to submit comments to the Commission on this matter and appreciates the CAISO’s efforts to engage with WIRAB on these important policy matters. WIRAB supports the terms under which the CAISO proposes to provide reliability coordinator service to BAs and TOPs within the Western Interconnection.⁵ WIRAB looks forward to continuing to work with the Commission, RC service providers (including the CAISO), RC customers, utility ratepayers, and other

³ FERC Order on Rehearing, Docket No. EL13-52 et al., P. 46 (Dec. 6, 2013).

⁴ Peak Reliability Bylaws, sec. 3.14.

⁵ WIRAB Advice on the California ISO’s Reliability Coordinator Proposal, (Jul. 10, 2018).

<https://westernenergyboard.org/download/wirab-advice-on-the-caiso-reliability-coordinator-proposal-july-2018/>

stakeholders in an effort to protect the public interest and to promote the provision of quality RC services in the Western Interconnection.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Denver, CO this 21st day of September 2018.

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