

Comments of the Western Energy Imbalance Market Body of State Regulators to the Western Energy Imbalance Market Governance Review Committee's Phase Three Revised Proposal

The Western Energy Imbalance Market Body of State Regulators (BOSR) appreciates the opportunity to submit consensus comments on the Western Energy Imbalance Market Governance Review Committee's (GRC's) Phase Three Revised Proposal dated October 31, 2022 (Revised Proposal).¹ The BOSR is a self-governing, independent body composed of one state regulatory utility commissioner from each state in which a load-serving regulated utility participates in the Western Energy Imbalance Market (WEIM), which includes the California Independent System Operator's (CAISO's) real-time market.² This includes the states of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.³ The BOSR also currently includes two liaisons representing consumer-owned utilities and a liaison representing federal power marketing administrations. One of the BOSR's responsibilities is to express a common position, when possible, in CAISO stakeholder processes or to the WEIM Governing Body on WEIM issues.

Overall, the BOSR generally supports the Revised Proposal as an appropriate incremental step reflective of the deeper interdependence inherent in EDAM. However, the BOSR would appreciate further clarification about the intended scope of the provision extending the "applies to" test to include any tariff change that impacts locational marginal prices, such as its impact on CAISO's ability to directly address reliability or to prevent the exertion of unilateral market power for resources located within CAISO, or other similar tariff changes. As the BOSR stated in previous comments submitted to the GRC, it is important to continue to evolve governance to be more multi-lateral as CAISO develops and expands the EDAM to take on the optimization and dispatch of more resources over longer periods of time. The BOSR is aware the current

¹ Western Energy Imbalance Market Governance Review – Phase Three (EDAM), available at: <http://www.caiso.com/InitiativeDocuments/EDAM-Governance-Revised-Proposal-WEIM-Governance-Review-Committee-Phase-3.pdf>

² Charter, Energy Imbalance Market Body of State Regulators (March 1, 2016, revised April 30, 2021) (BOSR Charter). See also, Charter for Energy Imbalance Market Governance (revised September 23, 2021), § 6.2

³ A load-serving regulated utility from the State of Texas has stated its intent to join the Western EIM beginning 2023. Commissioners of the PUC of Texas have been invited to participate in the BOSR.

proposal would be an insufficient framework for a West-wide RTO and the governance structure will need to continue to evolve as regional market expansion efforts evolve. The BOSR provides the following comments on the Revised Proposal.

The Concept of Parity of Treatment Across Balancing Authority Areas

The BOSR recognizes the challenges that arise when determining the scope of authority in the EDAM and agrees addressing the matter requires careful consideration of competing interests and concerns. The BOSR believes the use of the parity principle brought forward during the GRC's stakeholder process is one reasonable tool to support determining what rules fall under joint authority. The BOSR agrees with the GRC's general concept of parity of treatment across the balancing authority areas when judging when joint authority should be utilized for WEIM and EDAM products. Thus, a proposed WEIM/EDAM tariff rule would be under joint authority whether it applies only to a subset of balancing authority areas within the WEIM/EDAM or to the entire WEIM/EDAM footprint. The BOSR believes this approach promotes inclusivity while reducing subjectivity and complexity in decisional authority assignments. Furthermore, the BOSR acknowledges that for an extended day-ahead market to be sustainable, it must not leave any balancing authority area's native load in a worse reliability situation, and the BOSR understands the GRC has embedded this presumption into the overall governance framework. It would be helpful for the GRC to provide additional clarity about how this concept of parity will apply to differently situated entities and whether there may be conflict with including in joint authority proposals that may directly establish or change locational marginal prices.

Decisional Classification Process and the Dispute Resolution Process

The BOSR continues to support the GRC's proposal to retain the current process for designating the decisional classification for initiatives. The BOSR affirms that the process is open and transparent, and it allows all interested stakeholders to participate and shape the decisional classification for policy initiatives. The process encourages stakeholders to make substantive arguments about the application of the scope of authority, including the embedded concept of parity between BAs – that no one BA is being asked to give up more decision-making authority than others. As the GRC highlighted in its proposal, the decisional classification

process has been in place since the inception of the WEIM Governing Body in 2015 without the need to convene the two bodies to decide a decisional classification thus far. Additionally, the BOSR supports the iterative remand process for resolving disagreements between the California ISO Board of Governors and the WEIM Governing Body on whether to approve a proposal within their shared approval authority. The BOSR affirms it is a thorough process that sufficiently addresses the difficult issue of potential deadlocks.

Advisory Authority

The BOSR supports the enhancements proposed for the existing advisory input process. The BOSR concurs that these enhancements will complement the WEIM Governing Body's oversight of rules that fall under joint authority with an appropriate forum to address critical issues that may affect EDAM Entities but fall outside joint authority. These enhancements to the WEIM Governing Body's advisory role will enable greater transparency and the necessary dialogue amongst the two bodies on issues that the CAISO Board of Governors may not otherwise be aware exist. The BOSR does not believe additional enhancements—outside of the GRC's enhancements in the revised proposal—to the Advisory Authority process should be considered at this time; however, the BOSR does acknowledge the potential need to revisit the process at a later time, after the EDAM becomes fully operational.

The Timing for Implementation of EDAM Governance

The GRC is proposing the EDAM governance proposal becomes effective once FERC has conclusively accepted the CAISO's filing for the EDAM market design, i.e., FERC's approval of the EDAM market design proposal. Importantly, the GRC expects that the decision on EDAM market design will be under joint authority of the CAISO Board of Governors and the EIM/EDAM Governing Body. The BOSR agrees that this timeline is acceptable as it will give future EDAM entities the necessary level of certainty from FERC to sign implementation agreements to join the EDAM.

Conclusion

The BOSR recognizes the incremental approach to market governance in the West. The BOSR appreciates the GRC's careful approach to bringing together such an expansive region in

a cohesive manner, while still respecting the laws of the State of California that govern the CAISO. The BOSR supports the direction of the governance proposal and appreciates the opportunity to provide consensus comments on the revised proposal. The BOSR looks forward to continued engagement and participation in the evolution of market governance.