

**Sponsors: California Municipal Utilities Association; Northern California Power Agency;
Sacramento Municipal Utility District; Salt River Project; Seattle City Light**

**In Support of Consumer Benefits and Participatory Multi-State Governance as Essential Elements
of Any Western Regional Market Expansion**

1 In November 2014, the California Independent System Operator Corporation (CAISO) began operating
2 an Energy Imbalance Market (EIM) within the CAISO and PacifiCorp Balancing Authority Areas
3 (BAAs). The EIM provides a platform for the real-time purchase and sale of power imbalances by
4 participating BAAs in the Western Interconnection. A primary driver for the development of the EIM
5 was improved integration of variable renewable resources through a wider area dispatch of power that
6 would incorporate greater diversity of loads and resources. For example, excess solar generation in one
7 part of the EIM could be absorbed by load that exceeds generation in another. Additional drivers of the
8 EIM were the achievement of efficiencies in market dispatch, lower electricity costs, and improved
9 reliability. Thus far, CAISO analyses have shown a reduction in power production cost compared to what
10 would have occurred in the absence of the EIM.

11
12 The EIM has expanded since its initial inception with the addition of NV Energy in 2015, Puget Sound
13 Energy and Arizona Public Service in 2016, and Portland General Electric in 2017. Idaho Power and
14 Powerex are scheduled to begin their participation in 2018. A number of publicly owned utilities (POUs)
15 that operate existing BAAs in the West have undertaken analyses showing net benefits from EIM
16 participation. As a result, the following public power utilities have signed agreements to participate in the
17 EIM between 2019 and 2020: Seattle City Light; the Balancing Authority of Northern California and its
18 member, Sacramento Municipal Utility District; Salt River Project; and Los Angeles Department of
19 Water and Power.

20
21 Risks of joining the EIM are mitigated by the fact that participation is voluntary, as are resource
22 participation decisions within the EIM market structure on a day-to-day basis; balancing authorities are
23 required to ensure their own resource adequacy without depending on the EIM for resources; and exiting
24 the EIM can be accomplished within a reasonable time frame without an exit fee.

25
26 The EIM has a five-member governing body, nominated by a stakeholder committee, which has been
27 delegated authority from the CAISO Board of Governors on rules specific to participation in the EIM. In
28 addition, the EIM charter established a Body of State Regulators (BOSR) and a Regional Issues Forum
29 (RIF). The BOSR provides a forum for state regulators to learn about the EIM, and may express a
30 common position in the CAISO stakeholder process or to the EIM governing body on EIM issues. The

31 RIF includes ten self-selected sector liaisons that facilitate input and participation on issues, and may
32 produce documents or opinions for the EIM governing body, CAISO Board of Governors, and CAISO.

33
34 Beyond EIM expansion, CAISO and PacifiCorp have been evaluating full market integration and
35 consolidation of PacifiCorp's two BAAs into the CAISO BAA. At this time, there has not been any
36 movement on regionalization of CAISO. As was the case with development of the EIM, supporters of
37 full regionalization argue that the primary benefit is access to a greater diversity of both loads and
38 resources across a broader operational and market footprint which will help manage the variability of
39 renewable resources.

40
41 Full regionalization of CAISO would require a change in CAISO's governance from the current model in
42 which the CAISO board is appointed by California's governor to an independent board structure, perhaps
43 representative of the states and regional interests within an expanded CAISO, with no political
44 dependency on any single state. Such a governance change would require action by the California
45 legislature, but no proposal has yet garnered enough support to win passage of new statutory language. It
46 is still possible that such an effort will move forward, but its success is uncertain.

47
48 Full regionalization could entail risks to public power and consumers resulting from greater exposure to
49 market prices, transmission costs, and potential adverse impacts on POU arrangements for supplying
50 electricity to their customers. Furthermore, POUs in the West recommend the ISO's board recognize the
51 entities that fund, or have funded, transmission facilities, and consider how economic benefits are
52 distributed. The American Public Power Association has long supported a policy of ensuring that
53 wholesale market creation, expansion or augmentation provide benefits to consumers and not impede the
54 public power business model.

55
56 **NOW, THEREFORE, BE IT RESOLVED:** As with other organized wholesale markets, the American
57 Public Power Association (APPA) urges that evaluation of any proposals to expand the California
58 Independent System Operator (CAISO) and augment the Energy and Balance Market (EIM) consider
59 primarily whether such proposal would positively impact consumer welfare and avoid impediments to the
60 public power business model; and

61
62 **BE IT FURTHER RESOLVED:** APPA views full participatory governance as essential to any
63 regionalization of CAISO-operated markets, with such governance including an independent board
64 representative of regional interests and views of market participants and consumers; a standing committee

65 providing a forum for market participants, including public power, to provide direct input to the board;
66 and full transparency of stakeholder and board processes; and

67

68 **BE IT FURTHER RESOLVED:** APPA supports a thorough evaluation of the EIM and any future
69 augmentation to ensure that the potential benefits of the EIM or other market options sought by public
70 power are maximized while the risks are managed and mitigated.