

The Stakeholder Experience: The California ISO

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Prepared for the Harvard Electricity Policy Group

March 10, 2016

Background on CAISO Stakeholder Process

- Same basic process since go-live in 1998
 - Change in original Board structure
- No formal voting or ranking structure from stakeholders
- Initiatives typically originate from perceived CAISO need
- Typically fairly robust engagement with stakeholders (whitepapers, in-person meetings, web meetings, calls)
- Board review and approval

CAISO Stakeholder Model:

*"A well informed benevolent
(and unified) oligarchy"*

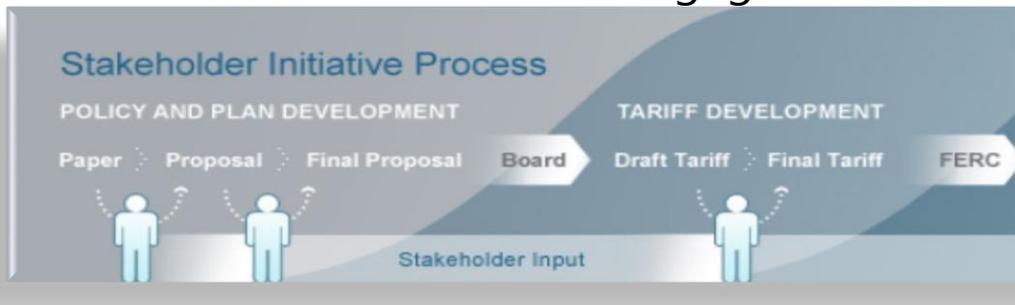
"I believe in benevolent dictatorship provided I am the dictator."

What Should “Benevolence” Look Like?

- **Accessible:** Transparency of process, interested parties can engaged and follow
- **Prioritized:** Issues with material impacts should be prioritized over immaterial issues
- **Inclusive:** All impacted stakeholders should have the opportunity to contribute/comment on the proposed remedy/enhancement and participate in the process
- **Realistic:** A practical solution should be preferred – the search for perfection should not impede the implementation of a good (and achievable, and timely,...) solution
- **Balanced:** Both the benefits and importantly the risks of a solution should be properly considered and evaluated; consider implementation impacts on stakeholders
- **Principled:** An efficient and nondiscriminatory result should be implemented, even if it results in some “winners and losers”
- **Legal:** In the end, it must produce a just and reasonable outcome

CAISO Stakeholder Process

- Stakeholder catalog - holds many issues but only a handful can receive action
- CAISO issue identification - usually via an “issues paper”
- Stakeholder engagement – open meetings
 - Optional engagement with the Market Surveillance Committee
- Stakeholder feedback – usually through written comments
- CAISO “Draft Proposal” – usually a white paper
- Additional stakeholder engagement



- Additional stakeholder feedback – usually through written comments
- CAISO “Final Proposal”
- Board approval process

“If everybody is happy, then something is wrong with the democratic process.”

CAISO Governing Board

- Terms – Three years, staggered
- Selection – Independent search firm creates a list of at least four candidates. Subset of Board Nominee Review Committee (36 member) interviews candidates and recommends to the California Governor.
- Nomination – By the CA Governor, confirmed by CA Senate
- Currently CAISO has 5 Governors on the board
- Board engages with CAISO, is provided a presentation and briefing material (including summaries of stakeholder positions) & hears public comment before deciding on motions

CAISO Board: Motion Approval History

Year	Total Motions Approved	Unanimous Approvals
2016	4	4
2015	31	31
2014	25	25
2013	20	19*
2012	33	33

* Motion passed 3-2

Market Surveillance Committee (MSC)

- Terms – No term limits but members appointed by staggered three year terms
- Nomination – By the CAISO CEO, confirmed by the CAISO Governing Board
- Regularly asked to provide early opinions on proposals
- Regularly provides opinion/position papers on proposals
- CAISO often incorporates MSC recommendations (or portions thereof) before making final proposals to their board

“Where no counsel is, the people fall: but in the multitude of counsellors there is safety.”

Market Surveillance Committee (MSC)

• Members

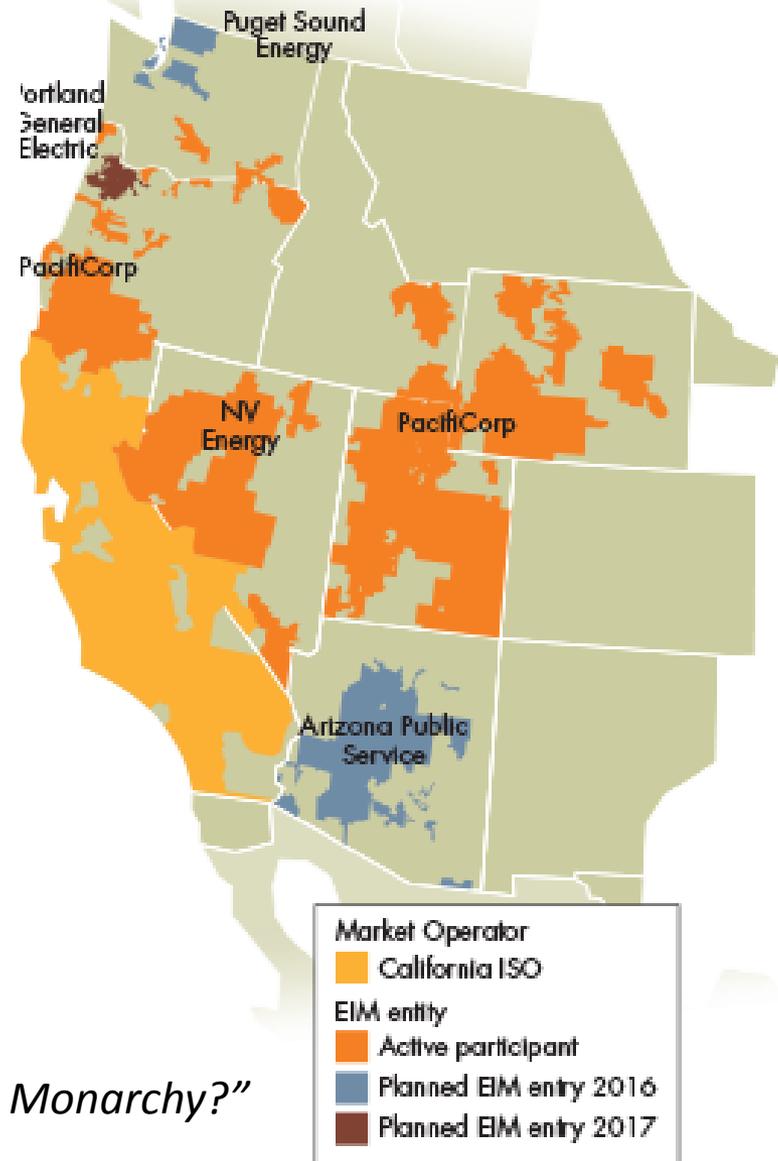
- **Benjamin Hobbs:** The Theodore M. and Kay W. Schad Chair of Environmental Management at the Johns Hopkins University. Since 2010, he has been the inaugural Director of the JHU Environment, Energy, Sustainability & Health Institute. He has been a member of the faculty of that university's Department of Geography & Environmental Engineering since 1995, which he has also served as chairman. He also holds a joint appointment in the Department of Applied Mathematics & Statistics.
- **James Bushnell:** Associate professor in the Department of Economics at the University of California, Davis, and a Research Associate of the National Bureau of Economic Research.
- **Scott Harvey:** Consultant in the Economic Consulting segment and is located in Boston. He has been actively involved at FTI Consulting, LECG, and Putnam, Hayes & Bartlett with the restructuring of the PJM, New York and New England Power Pools, the development of the MISO Stage 2 congestion management system implemented in April 2005, and the development and implementation of the California ISO's MRTU market design in April 2009.

• Past members

- **Frank Wolak:** The Holbrook Working Professor of Commodity Price Studies in the Department of Economics at Stanford University. His fields of specialization are Industrial Organization and Econometric Theory. He currently directs the Program on Energy and Sustainable Development (PESD) in the Freeman-Spogli Institute (FSI) for International Studies.
- **Shmuel Oren:** The Earl J. Isaac Professor in the Science and Analysis of Decision Making in the Department of Industrial Engineering and Operations Research at the University of California at Berkeley and former Chairman of that department. He is a co-founder and the Berkeley site director, of PSerc - a multi-university Power Systems Research Center sponsored by the National Science Foundation and industry members since 1996.
- **Peter Cramton:** Professor of Economics at the University of Maryland and European University Institute, and on the International Faculty at the University of Cologne. He is an independent director on the board of the Electric Reliability Council of Texas, chief economist of Rivada, and chairman of Market Design Inc., an economics consultancy founded in 1995, focusing on the design of auction and matching markets.

Looking Forward

- Energy Imbalance Market operational since November of 2014
- Board approved additional governance for the EIM 12/15
- The EIM to have it's own "sub-board". Approves items exclusive to EIM participants; the CAISO Board must then approve these items before they file with FERC
 - EIM has an advisory committee representing state regulators
- Significant discussion on needed governance changes to address possible full participation of PacifiCorp and others (2018?)
 - Creation of a Regional Issues Forum



"Well, Doctor, what have we got - a Republic or a Monarchy?"
"A Republic, if you can keep it."

In Conclusion

- The current process and structure, while not perfect, is reasonably effective
- Success depends heavily on a commitment to engage with and listen to stakeholders and experts (e.g., the MSC)
 - However this structure doesn't ensure continued success
- Regional expansion will require some changes, the degree of which is unclear
 - Bicameral 1) general participation and 2) scope of market participation?

“There will be no end to the troubles of states... humanity itself, till philosophers become kings in the world... and political power and philosophy thus come into the same hands”

Plato