

PANEL 6: Regional Decision-making: The Western Grid and State/Regional Committees

- Opening Statement of the California ISO -

First, the ISO wishes to reiterate its commitment to continued and fruitful cooperation with the California Public Utilities Commission and other California state agencies in furthering our shared objectives of reliable and affordable electricity for the consumers of California and the rest of the West.

The ISO supports active state involvement in ISO matters that impact areas of obvious State jurisdiction and where the state has a legitimate interest in protecting consumers. To that end, the ISO supports active state involvement in matters such resource adequacy, transmission siting, market monitoring and development of suitable market power mitigation tools, rate design, demand response and load management programs, energy efficiency and environmental reviews. On each of these matters each RTO must, by necessity, work with its state(s) to facilitate the development of seamless, efficient and reasonably priced electricity markets.

However, notwithstanding the ISO's continuing commitment to working with the State, at this juncture the ISO does not see the need to establish *another* governance layer over ISO operations and therefore does not see a pressing need to create and establish a *formal* Regional State Committee. Formal creation of such an entity would entail clearly delineating between the roles, responsibilities and authority of the ISO and its Governing Board, the RSC, the states and FERC. This would be no small task and may detract from the effort to develop regional consensus on important matters.

In the first instance, the ISO recommends that the Commission identify the "problem" in need of resolution. Is the problem one of state involvement in ISO operations? If so, the ISO would argue that is a non-issue. The state is involved and the ISO does listen. As we stated earlier, the ISO is committed to ISO-CPUC "partnership" President Peevey spoke to earlier today.

Is the problem one of building regional consensus of matters impacting RTO/ISO operations? If so, forums for addressing regional issues already exist. At present, there are only certain entities legally *empowered* to effectively address issues regarding the proper functioning of regional electricity markets in the west: FERC, which oversees the rate, terms and conditions of interstate transmission service and sales for resale of power; the states, which have jurisdictional authority over local investor owned utilities with respect to the provision of retail electric service and other matters affecting consumers in the states; and local jurisdictional authorities that oversee local or municipally-owned electric systems. None of these entities can, or has indicated it is willing to, cede any of its jurisdictionally authority to another entity or organization. Thus, even if a truly regional state committee was formed, it would not be formally empowered to

substantively address or resolve issues impacting regional or sub-regional electricity markets.

Instead, the ISO recommends that the Commission focus its efforts at facilitating the development – or continued development - of effective regional *forums* for addressing regional issues. In the end, it is the *processes* and *ideas* facilitated and nurtured in such inclusive forums that will produce the consensus recommendations necessary for continued development of seamless and efficient wholesale electricity markets. While such processes and recommendations may not be legally binding on those involved, they nonetheless could be provided great deference in regulatory proceedings, be they at the local, state or federal level.

To that end, the ISO does support the development or continuation of *informal* regional state committee structures, such as the existing Western Governors Association and the Western Interstate Electricity Board and its progeny the Committee on Regional Electric Power Cooperation. Furthermore, the ISO is committed to continued participation in such regional groups as the Seams Steering Group – Western Interconnection (SSG-WI) and the Western Electricity Coordinating Council.

Just as markets abhor the uncertainty of opaque and ever-changing market rules, markets react poorly to *regulatory* uncertainty. At this point in time, the value-added from the addition of another organization or layer of review is minimal and may detract from the Commission's goal of creating stable, seamless and efficient markets.

Finally, the ISO would observe that what is needed is not another organization or process, but leadership. - the kind of leadership exhibited by the Commission in the October 28th order and President Peevey's continuing commitment to work with the ISO to resolve issues.

Thank you for the opportunity to share our thoughts and I look forward to answering any questions you may have.