October 29, 2020

Aligning Clean Energy Goals with Markets: Lessons from the Western Energy Imbalance Market

National Governors Association

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Western EIM value proposition is positive

• Numerous studies: Mutual benefits of extended markets was proven

• California: Regional market expansion is a least cost solution for integrating much greater quantities of renewables

• PacifiCorp: Alignment between regional market extension and their business plan

• Affected regulators: Ratepayer benefits expected, alignment with energy policy goals
Western EIM is attractive

- Independence of the market operator
- Cost of Entry was very low due to existing platform
- Utilities and their regulators can decide one at a time
- Cost of Exit is zero
Governance: The Transitional committee is diverse

- California entities delegated governance to a “transitional committee”
- Transitional committee voting members (1 representative each):
  - Investor Owned Utilities
  - Publicly Owned Utilities
  - Generators and Marketers
  - Alternative Energy Providers (e.g., solar or wind developer)
  - EIM Participants (e.g., utilities outside of CAISO)
  - Government Agencies (e.g., state PUCs)
  - Public Interest Entities (e.g., environmental/consumer representative)
Governance: EIM foundations

- An Independent EIM Governing Body appointed by a regional nomination committee
  - Each GB member has no conflict of interest with any market participant
- CAISO Board of Governors to delegate authority over EIM decisions
  - EIM GB has primary authority over market rules that are caused by EIM
  - EIM GB has advisory/hybrid authority over all market rules that affect EIM participants
- Appointment/reappointment driven by the regional nominating committee, not the CAISO BOG or the Governor of California
Governance engendered trust and growth

In 2014 and 2015, EIM was PacifiCorp and the CAISO

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Table 1: Estimated benefits shown are in millions and accrued in the second quarter of 2015
By 2017…

By 2017, NVE, APS, PSE and PGE joined
By 2020, EIM includes 10 utilities (including 3 public power), and by 2022 more than 85% of WECC energy will be included (including BPA).
Everyone benefits from the beginning

Benefits
$1 billion - from November 2014 to July 3, 2020
$998.69 million - as of Q2 ending June 30, 2020

(millions $)

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Regulatory Assistance Project (RAP)®
Western states, regulators and advocates have been engaged

- Assessing benefits studies and tracking how their ratepayers are expected to benefit
- Requiring utilities to report on the benefits to ratepayers
- Auditing the costs associated with joining the EIM and tracking how much ratepayers are paying for those investments and expenses
- Auditing the cost of transmission and ensuring that their ratepayers aren’t subsidizing other participants
- Participating in governance reforms to add a day ahead market product to the Western EIM platform
Key questions states should ask

- What obligation does the governing body have to hear and respect state and stakeholder voices?
- How do states get the information and analysis they need to assess whether state policies are being respected?
- How will ratepayer benefits be measured, tracked and reported?
- How will incremental investments and expenses be measured, tracked and reported?
- How will a level playing field for utility and non-utility participants be ensured?
About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at raponline.org

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