

November 16, 2020

Chair Galiteva and Chair Prescott:

The customers of the EIM Entities and the California Independent System Operator (CAISO) have enjoyed the benefits of increased regional collaboration through the development of the Energy Imbalance Market (EIM). We are committed to that continued partnership, and to welcoming additional EIM participants in the coming months and years. This letter is to reaffirm the commitment of the EIM Entities to the stakeholder process for the Extended Day Ahead Market (EDAM).

The EIM Entities remain committed to collaborative development of a well-functioning day-ahead market, and also recognize that the benefits to regional market expansion and collaboration must be apparent and realized by consumers both within and outside of the CAISO. We wish to maintain the momentum on the EDAM design effort, and to work with the CAISO and other market participants to reach what we hope will be a design that can be supported by a majority of market participants. While the EIM Entities have concerns relating to reliability for some aspects of market design (as detailed further in this letter), these concerns should not hinder or unduly delay forward progress for other market design topics scoped for the EDAM, including transmission and congestion rent.

The August and September grid events, including rotating outages within the CAISO but also the many Energy Emergency Alerts called by several other Balancing Authority Areas (BAA), serve as a wake-up call to all and clearly underscore the need to assess underlying resource adequacy mechanisms in support of regional reliability. In light of these events, it is essential to both accurately evaluate the root causes and make changes based on a clear-eyed assessment of evolving grid operational challenges. The EIM Entities look forward to collaboration with the CAISO to assess various elements of how the market performed and what changes may be necessary moving forward.

A key element to the success of the EIM has been the voluntary nature of the market, and the principle of “no leaning,” embodied in the Resource Sufficiency (RS) test which is an integral part of the EIM design. The EIM Entities want to work with the CAISO and other stakeholders to assess whether the RS test worked as designed, and further, if it worked to support the principle that each BAA within the EIM is expected to come into the market fully resourced so as to avoid leaning on other EIM Entity BAAs. It is foundational for each EIM Entity BAA to meet its fundamental reliability obligations that it retains independent of the EIM. Based on further assessment, we expect the details and ultimate recommendations of any refinements to be determined through a future stakeholder process.

The EIM Entities also believe strongly that EDAM and EIM must be built on the foundation of stable resource adequacy programs that provide the depth and diversity of resources. This helps ensure just and reasonable energy market outcomes, and ultimately benefits consumers.

It is worth taking the time now to address underlying concerns, whether that be in the RS test in EIM, or in foundational resource adequacy and resource planning assessments across the regional market, not just in California. Indeed, this becomes even more critical in EDAM as BAAs rely on the central unit commitment process to decommit units and improve system efficiencies.

In sum, the EIM Entities continue to support EDAM and view a properly designed EDAM as the next logical, incremental, and organic step to further regional market collaboration. But in order for those efforts to be successful, foundational efforts to strengthen procurement and grid reliability must be considered.

We appreciate the opportunity to continue discussions and are confident that our continued collaboration will yield the best results for consumers throughout the greater West.

Respectfully,
The EIM Entities

Arizona Public Service Company ("APS"), Avista Corporation ("AVA"), Balancing Authority of Northern California ("BANC"), Bonneville Power Administration ("BPA"), Idaho Power Company ("Idaho Power"), The City of Los Angeles, Department of Water and Power ("LADWP"), NV Energy ("NV Energy"); PacifiCorp, Portland General Electric Company ("PGE"); Powerex Corp. ("Powerex"), Public Service Company of New Mexico ("PNM"), Public Service Company of Colorado ("PSCO"), Puget Sound Energy, Inc. ("PSE"), Salt River Project ("SRP"), The City of Seattle, acting by and through its City Light Department ("Seattle City Light"), The City of Tacoma, Department of Public Utilities, Light Division ("Tacoma Power"), Tucson Electric Power ("TEP"), Turlock Irrigation District ("TID"); and NorthWestern Corporation d/b/a NorthWestern Energy ("NWE").