

PUC EIM Group

Commissioner Travis Kavulla, Chair

April 23, 2013

Transmitted via email

Steve Berberich
President and Chief Executive Officer
California ISO
250 Outcropping Way
Folsom, CA 95630
sberberich@caiso.com

Dear Mr. Berberich:

The Public Utility Commissioners' Energy Imbalance Market working group (PUC EIM Group) wants to thank both the California Independent System Operator (CAISO) and PacifiCorp for their work in exploring the costs and benefits associated with a larger Energy Imbalance Market (EIM) in the Western United States.

We are:

- Heartened that the ISO has described the implementation of the CAISO/PacifiCorp MOU as a "scalable approach" to the EIM that can accommodate other balancing authorities (BAs) who see the economic merit of joining such a market.
- Requesting that certain of the technical issues that impact outside-of-California participants in an EIM be further clarified in subsequent drafts of the straw proposal.
- In agreement with the CAISO that there should be an on-ramp to joining an EIM for other BAs who wish to do so and that such an on-ramp be flexible to potential entrants and unencumbered by hard-and-fast rules unless they strictly are needed.
- Encouraged that CAISO is beginning a governance conversation in earnest. We recommend that governance possibilities should be explored on a preliminary basis, which can be done even before other BAs' joining. Preliminary legal and policy analysis on governance should include a review of relevant California state statutes that authorize the CAISO, federal law and FERC practice on institutions such as regional state committees, as well as the granting of directed Section 205 filing rights to organizations other than an ISO's board of directors.
- Recommending that CAISO explore the possibility of retaining its same software and hardware required for the operation of an EIM, while remaining open to the possibility of different governance models.
- Encouraged that PacifiCorp and CAISO are continuing their active engagement of non-California parties, including holding two upcoming CAISO stakeholder meetings outside of California.

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- Pleased that PacifiCorp is continuing to participate in the EIM efforts of the Northwest Power Pool's Members' Market Assessment and Coordination Committee.

While the PUC EIM Group has not engaged in an extensive review of the technical elements of the straw proposal, we offer a number of comments on specific items within the straw proposal:

- While the straw proposal explains how each of the 15-minute Real-Time Unit Commitment (RTUC) and 5-minute Real-Time Dispatch (EIM) markets will work, the interplay between them and the practical implications of reducing EIM benefits to smaller intervals, remains unclear. This leads to a number of unanswered questions. For example:
 - For outside-of-California participants, is the functional impact of the RTUC merely a submission of 15-minute, as opposed to hourly, schedules?
 - Is interchange between CAISO and other BAs expected to be considerably more fluid in a 15-minute world than an hourly one?
 - How will either the RTUC or EIM make use of transmission rights of outside-of-California BAs?
 - What impacts will an efficient RTUC have on the amount of energy that clears in an EIM?
- Additional explanation is needed on the CAISO proposal regarding the penalization of outside-of-California participants who experience errors when relying on their own load scheduling, but who otherwise would not be penalized had they relied on CAISO's scheduling services. Because those operators will still remain accountable on a BA-level for reliability penalties (the risk of which is exacerbated when loads are scheduled inaccurately), there would appear to be not only a strong existing incentive to schedule accurately, but also an institutional proclivity on the part of any given participant to self-schedule. The reasoning for this provision of the straw proposal should therefore be more fully explained.
- It is unclear how the utilization of transmission rights that tie together EIM entities across potentially non-participating BAs will, in practice, work. This is especially true given the reality that most, if not all, centrally dispatching markets in the United States are flow-based in nature.

The PUC EIM Group appreciates this opportunity to offer comments at the outset of the stakeholder process, and we look forward to our continuing participation therein.

Sincerely,

PUC EIM Group

Commissioner Travis Kavulla, Chair

A handwritten signature in black ink, appearing to read "Travis Kavulla". The signature is fluid and cursive, with a prominent initial "T" and a long, sweeping underline.

Travis Kavulla, Commissioner

Montana Public Service Commission

Chair, PUC EIM Group

cc: PUC EIM Group