April 19, 2013

To Whom It May Concern:

Silicon Valley Power (SVP) has the following initial comments/questions regarding the CAISO's April 4, 2013 Energy Imbalance Market (EIM) Design Straw Proposal and Issue Paper.

As an LSE within the CAISO with interests in transmission resources outside the CAISO Balancing Authority, SVP is trying to understand the potential effects of the EIM proposal on SVP's interests and operations. SVP understands the stakeholder process is addressing the EIM structure in general, with a goal of creating a tariff structure that accommodates the developing CAISO-PacifiCorp EIM, as well as the possibility that additional EIM Entities may join in the future. As such, SVP's questions and comments are not necessarily limited to the facts and circumstances presented by PacifiCorp's systems. Although the proposed EIM remains, in many ways, undefined, some elements of the proposal appear to be solidified in the CAISO-PacifiCorp presentations.

Although additional questions will likely develop as the process continues, SVP's comments/questions at this time are limited to the reasons for, and potential consequences of, the proposal to not impose any charge on the transmission service utilized for EIM transactions.

- SVP generally questions the not charging EIM imports or exports the same WAC/TAC rates, and/or applicable existing third-party transmission rates and charges that ordinarily apply to imports and exports to and from the subject balancing authority areas.
- Are the benefits calculated by the EIM benefits study overstated due to the absence of a charge for transmission service? How would inclusion of a charge for transmission service affect the results of the benefits study?
- Does the proposal to not charge for transmission within the EIM create an incentive for parties to attempt to take advantage of the free (of transmission cost) service? SVP understands CAISO's statement that this should not be an issue because base schedules are linked to forecasted demand and, therefore, EIM volumes should be limited. However, that appears to address the magnitude of the potential problem, and presumes a best-case outcome, with all parties acting as expected.
- Does the proposal to not charge for transmission within the EIM create a disincentive for third parties to make transmission capacity available to support the EIM? If a third party offers OATT service, transfer capability that is un-subscribed becomes available as non-firm in real-time, but parties scheduling that non-firm service must still pay a transmission rate, providing some compensation to the transmission owner in return for the service provided. Why would a transmission service provider abandon that opportunity in order to make its facilities available to support an EIM? Given that transfer capability is a limiting factor on the amount of benefits estimated in the benefits study, wouldn't the EIM benefit from creating incentives to transmission providers to make transfer capability available to support the EIM?

SVP appreciates the opportunity to provide comments and questions.

Thank you,

Ken Kohtz
Silicon Valley Power
(408) 615-6676

{D0157923.DOC / 2}