

**California Energy Commission**

1516 Ninth Street
Sacramento, California 95814
Main website: www.energy.ca.gov

**California Public Utilities Commission**

505 Van Ness Avenue
San Francisco, California 94102
Main website: www.cpuc.ca.gov

March 8, 2013

Board of Governors
California Independent System Operator
P.O. Box 639014
Folsom, California 95763-9014

Dear Chairman Foster and Board of Governors:

We were pleased when on February 12, 2013, the California Independent System Operator (CAISO) and PacifiCorp announced a memorandum of understanding (MOU) to develop an energy imbalance market (EIM) between the two balancing authorities. This is a major step forward that offers economic benefits to both balancing authorities and enhances the two systems' abilities to integrate renewable generation.

Today, balancing authorities start with balanced schedules at the beginning of each hour. Load and resources change in real time, which western balancing authorities, other than the CAISO, manage by manually re-dispatching their resources. All balancing authorities carry reserves for meeting these requirements. In the case of the CAISO, a real-time, five minute market automatically optimizes and dispatches resources every five minutes to resolve these imbalances, making efficient use of resources and reducing the need for reserves.

This MOU extends to PacifiCorp the same efficiencies and automation that currently benefit California and which other balancing authorities in the West may choose to participate in the future. It also leverages geographical diversity so the regions can share resources during times of under- or over- forecasting of load and generation and provides better real-time visibility that improves reliability for both regions. Lastly, EIM is an important tool to assist renewable resource integration as we work toward California's important greenhouse gas reduction goals.

We urge the CAISO Board of Governors to approve the next step in this process by authorizing the organization to move forward with a detailed transition agreement and a stakeholder process to address the policy, governance and design issues that are a pre-requisite to implementation. We look forward to realizing the benefits and highly encourage other balancing authorities in the Western region to enter into similar relationships, creating a more efficient western transmission grid.

Sincerely,

Handwritten signature of Robert B. Weisenmiller.

Robert B. Weisenmiller
Chair
California Energy Commission

Handwritten signature of Michael R. Peevey.

Michael R. Peevey
President
California Public Utilities Commission

cc: Stephen Berberich, President and Chief Executive Officer, California Independent Systems Operator
Rob Oglesby, Executive Director, California Energy Commission
Paul Clanon, Executive Director, California Public Utilities Commission
Commissioners, California Energy Commission
Commissioners, California Public Utilities Commission