

**PACIFICORP'S COMMENTS
ON CAISO'S INITIAL EIM STRAW PROPOSAL
April 19, 2013**

I. INTRODUCTION

Pursuant to the schedule established by the California Independent System Operator (“CAISO”) for its Energy Imbalance Market (“EIM”) Stakeholder Process, PacifiCorp submits the following comments to CAISO on the initial Straw Proposal. PacifiCorp appreciates the comprehensive nature of the initial Straw Proposal, and supports it as an important step in the ongoing process to develop the EIM.

On February 12, 2013, PacifiCorp and CAISO entered into a Memorandum of Understanding (“MOU”) to secure benefits for PacifiCorp's customers in the near-term through improved dispatch and operation of PacifiCorp's generation fleet and through the efficient use and continued reliable operation of existing and future transmission facilities. In this context, the MOU contains 12 core principles to guide the development of the EIM. The Straw Proposal accurately reflects these principles to varying degrees.

PacifiCorp's comments on the Straw Proposal generally fall into the following eight major categories. In review of the Straw Proposal, PacifiCorp requests that the Stakeholder Process address additional refinements related to:

1. Distinctions between the responsibilities of an EIM Entity, an EIM Participant, and Transmission Service Providers;
2. Data Requirements;
3. Transmission Service Provisions;
4. Uplift allocations, including bid cost recovery and neutrality charges;
5. Termination Provisions;
6. Greenhouse Gas Proposal;
7. Enforcement Protocol, and
8. Governance and Market Oversight.

II. SUMMARY COMMENTS ON KEY ISSUES

With respect to each of the above-referenced categories, PacifiCorp offers the following high-level comments with the intent to clearly outline and frame the issues for CAISO and interested stakeholders. In addition, section-by-section comments are included in Section III. PacifiCorp recognizes that the Straw Proposal is an initial step and that the market design, implementing process and procedures, and oversight mechanisms will evolve through the Stakeholder Process. Accordingly, PacifiCorp acknowledges the ongoing nature of the issues addressed herein and reserves the right to supplement, modify, amend, or otherwise present additional comments at a future time, as permitted. In addition, PacifiCorp respectfully requests that CAISO or interested

stakeholders not perceive the absence of comments on any particular issue or other matter as a conclusive indication of PacifiCorp's lack of interest, support or opposition with respect thereto. These comments are not intended to be exhaustive, but are intended to raise key issues of concern to PacifiCorp and offer preliminary thoughts on resolution, when appropriate.

1. Distinctions between the responsibilities between an EIM Entity, an EIM Participant, and Transmission Service Providers

PacifiCorp supports use of the new defined terms "EIM Entity" and "EIM Participant." However, use of these terms in the Straw Proposal is occasionally inconsistent and should be clarified. In addition, and consistent with CAISO's proposal that the EIM market rules shall be contained in a discrete part of CAISO Tariff to clearly define the rights and responsibilities of EIM Participants, PacifiCorp suggests the creation of a new defined term, "EIM Coordinator", and a new service agreement for "EIM Coordinators." A "Scheduling Coordinator" is a defined term under CAISO Tariff that implicates responsibilities far beyond the EIM. While a Scheduling Coordinator could also participate in the EIM, an EIM Coordinator would represent a party that desires to limit its participation to the EIM.

2. Data Requirements

PacifiCorp appreciates the significant effort CAISO has made to identify the data requirements and communication protocols associated with the EIM. In this context, additional clarity with respect to data requirements, data transfers, and communications should ultimately be outlined in the Straw Proposal.

PacifiCorp requests that CAISO clarify and specify minimum data requirements separately for: (1) resources that elect not to bid into the EIM, and; (2) resources that elect to bid into the EIM. PacifiCorp notes that it has multiple roles: (1) EIM Entity; (2) Balancing Authority; (3) Transmission Service Provider (implementing a FERC-approved Open Access Transmission Tariff); (4) EIM Participant (bidding its own generation); and (5) load serving entity. As a Transmission Service Provider, PacifiCorp will have (i) network transmission customers who choose to participate and not participate in the EIM, and (ii) point-to-point transmission customers who choose to participate and not participate in the EIM. Accordingly, the Straw Proposal, and market participants, would benefit from a robust description of the specific data requirements of PacifiCorp and other participants, which entity is responsible for producing the information, what timeframe by which the data or protocols must be produced, and what defaults will be used if the data or protocols are not produced. There should also be specific communication protocols regarding what dispatch instructions will be given, to what entity, and to how those instructions will work with the overall Balancing Authority reliability requirements.

3. Transmission Service Provisions

In Section 4.3 of the Straw Proposal, CAISO raises the issue of transmission service necessary to support the EIM. CAISO proposes that there be no charge for EIM use of as-available transmission for initial EIM implementation noting that further consideration of transmission service could be informed by actual EIM operational experience or if additional EIM Entities participate in the EIM. PacifiCorp supports this proposal.

Section 4.3 also states:

EIM Entities and EIM Participants who are not CAISO participating transmission owners may adopt transmission rates for EIM transfers within their region, subject to certain agreed upon limits established by the EIM design (which may be zero) and separate from the EIM rule oversight and approval processes.

PacifiCorp requests that CAISO clarify this statement and explain the meaning of the reference to "certain agreed upon limits" in the context of transmission rates.

PacifiCorp recognizes that much work needs to be done in a short time to coordinate its transmission service provider and Balancing Authority responsibilities with the EIM. PacifiCorp is committed to working with its existing customers, CAISO, and other interested stakeholders to facilitate the transition. Among other things, these issues include the need for PacifiCorp to modify terms and conditions of service provided pursuant to the Open Access Transmission Tariff ("OATT"). For example, to implement the EIM, PacifiCorp may need to modify OATT provisions governing the settlement of energy imbalance under Schedule 4 and generator imbalance under Schedule 9 of the OATT to be compatible with imbalance pricing established through the EIM. In addition, the OATT may need to be modified to provide for a new schedule or protocol regarding bidding and EIM participation, including provisions for the exchange of information or data required for the EIM.

Relating to OATT compliance, as a practical matter, PacifiCorp would propose that OATT customers not be required to undesignate network resources to bid into the EIM the way they would to make firm off-system sales. First, the customer would not know that its resource is definitely going to be used off system. Second, the customer would be engaged in a constant administrative burden that would discourage EIM participation. Finally, a primary reason for the designation / undesignation rule is so the Balancing Authority knows what resources it has available to meet reliability requirements. This is not a concern in the EIM because reliability requirements will already be met separate from participation in the EIM.

4. Uplift allocations, including bid cost recovery and neutrality charges

In Section 4.5 of the Straw Proposal, CAISO raises the important issue of uplift charges. For the EIM to succeed and expand, it is vital that participants have confidence that they are only being allocated specific charges in accordance with cost causation.

Toward that goal and as a first step, it is important for CAISO to identify each and every uplift charge associated with the real-time market. The Straw Proposal discusses certain charges, including bid cost recovery, exceptional dispatch, and neutrality. However, there may be others, such as the flexible ramping constraints that are not identified. It will be important for interested stakeholders to have a comprehensive list of all potential charges.

Once the list is prepared, CAISO, PacifiCorp, and other interested stakeholders can evaluate the appropriateness of allocating all or a portion of these costs to the EIM. This will involve applying the seven criteria identified by CAISO in its Straw Proposal: (1) causation, (2) comparable treatment, (3) accurate price signals, (4) incentivize behavior, (5) manageable, (6) synchronized, and (7) rational.

In evaluating the reasonableness of including a specific charge in the EIM, CAISO should look at certain factors in addition to the seven criteria identified by CAISO, including:

1. The origin of the cost. Is the cost related to a generally-applicable requirement or incurred to meet a specific state public policy objective.
2. The nature of the cost. For example, if the cost for a product that is predominately an additional ancillary service it should not be allocated to the EIM.
3. Eligibility. If a product can only be met by resources within CAISO footprint (or conversely only resources outside CAISO footprint), it may be inappropriate to allocate the costs to the EIM as a whole.
4. Fairness. Balancing Authorities in the EIM should be treated equally. For example, if the costs related to extraordinary dispatch within the EIM Entity are outside of the market, then costs related to extraordinary dispatches within CAISO should be outside the market.

If there is a determination that all or a portion of a specific uplift cost should be allocated to EIM Entities or EIM Participants, there needs to be a determination of the appropriate billing determinant. The starting point for any determination should be deviations from the balanced schedules for that hour (net deviations). There should be an extremely limited set of charges, if any, allocated to gross metered demand.

5. Termination Provisions

PacifiCorp requests that CAISO incorporate termination provisions into the Straw Proposal. The ability to exit the EIM expeditiously if the market does not produce the expected benefits or if the market design is altered in a manner that conflicts with PacifiCorp's core principles is essential. The exit provisions are also a key component of PacifiCorp's acceptance of the proposed, initial governance structure.

The termination process must have three key elements. First, there must be a limited notice period. Second, consistent with CAISO's representation in its January 29, 2013 proposal to the PUC EIM group, there would be no exit charge or fee. This is consistent with the up-front initial fee charged by CAISO and the pay-as-you-go administrative charges utilized thereafter. Third, the end of the notice period should terminate the EIM Entity or the EIM Participant's incurrence of additional financial obligations.

6. Greenhouse Gas Proposal

Energy imports from resources with greenhouse gas emissions into California need to acquire greenhouse gas emission credits to cover California Air Resources Board ("CARB") regulations. On page 49 of the Straw Proposal, CAISO appropriately recognizes that:

In CAISO's existing day-ahead and real-time markets, import resources include the cost for acquiring these compliance instruments in their submitted energy bids. However, this practice is not appropriate for EIM Participants because a portion of the imbalance energy dispatched by the EIM from these resources will not be imported into California as it will serve demand outside California. Thus, only the imbalance energy portion that is imported into California would be subject to a Greenhouse Gas Cap compliance obligation.

PacifiCorp agrees with this statement. It is important that the EIM comply with CARB regulations, but over-compliance would inappropriately inflate the price of energy imbalances outside of California and raise jurisdictional concerns. In this regard, PacifiCorp expects that the current version of Section 11.29 of CAISO Tariff that deems all transactions settled by CAISO to be deemed to have taken place in California will not apply to the EIM other than those that result in energy transfers into California.

To properly account for costs of Greenhouse Gas Cap compliance instruments, CAISO proposes that a portion of the net export imbalance deviation of an EIM Entity's resources that will be imported into California would be assigned a greenhouse gas emission cost. This approach may be feasible. PacifiCorp will continue to work with CAISO and stakeholders to resolve this issue. One additional question is whether functionality could be added to the EIM so that a resource external to California that had

credits to cover its emissions could bid into the EIM without being subject to an adder for greenhouse gas emissions. This ability would permit resources external to CAISO to bid into the EIM in a manner similar to resources within CAISO.

7. Enforcement Protocol

In the Straw Proposal, CAISO states that EIM Participants would be subject to CAISO's existing Enforcement Protocol. PacifiCorp recognizes that there is the need for oversight and enforcement of the EIM. However, the Enforcement Protocol, Section 37 of CAISO Tariff, contains numerous provisions that do not apply to the EIM, EIM Entities or EIM Participants. For example, Section 37.2.1.1 requires compliance with operating orders issued by CAISO directing a Market Participant to undertake a single, clearly specified action (e.g., the operation of a specific device, or change in status of a particular Generating Unit) that is intended by CAISO to resolve a specific operating condition. This provision does not apply to EIM Entities that operate as distinct Balancing Authorities. Other provisions of the Enforcement Protocol appear equally inapplicable. CAISO should work with PacifiCorp and other interested stakeholders to develop appropriate EIM-specific enforcement protocols. These would be intended to cover all aspects of EIM participation, including scheduling, reporting, and metering.

8. Governance and Market Oversight

PacifiCorp appreciates CAISO's efforts to consider alternate governance approaches. Most importantly, PacifiCorp agrees that the issue of governance or market oversight should not be viewed as a static, one-time opportunity, but rather a process that can evolve over time as the scope of market participation increases. As CAISO states in the Straw Proposal, "this oversight role should have the objective of preserving for EIM participants – both at the outset and in the future – the significant and tangible benefits of EIM." *See* Straw Proposal at 45.

While the EIM governance may evolve, it is necessary to establish a framework to get the market up and running. Accordingly, the only timely initial approach is the market administrator model. Within that framework, PacifiCorp supports CAISO's proposal to establish an EIM Advisory Committee that would focus on issues related to participation in and operation of the EIM.

In recognition that expanded participation in CAISO EIM or the results of other ongoing initiatives in the west may warrant a reexamination of the EIM oversight structure, PacifiCorp suggests that CAISO consider a commitment to produce a report, as part of the Stakeholder Process, that examines the reasonableness of the EIM oversight structure

and the extent to which that structure can serve as an incentive or an impediment to broader participation.¹

Related to the question of overall oversight of the EIM, is the issue of how Federal Power Act Section 205 filing rights should be divided between CAISO and FERC-jurisdictional EIM Entities, such as PacifiCorp. For example, in the Straw Proposal, CAISO states that the "EIM Entity has the responsibility to define L[oad] A[ggregation] P[oints], and the definition should depend on its needs." *See* Straw Proposal at 28. The EIM structure would reserve to PacifiCorp the right to file and support the proposed LAPs in its Balancing Authorities as part of its EIM OATT implementation filing. Accordingly, there may be other instances in which the responsibility and choice of alternatives should be left to the EIM Entity.

III. SECTION BY SECTION COMMENTS

Section 2 Introduction

- PacifiCorp supports the use of the new defined terms of "EIM Entity" and "EIM Participant". Several times in the Straw Proposal, however, CAISO uses "Scheduling Coordinator," a defined term that invokes numerous provisions of CAISO Tariff. These provisions go well beyond what is to be required of EIM Participants.²

¹Indeed, the intent of the California State Legislature as expressed in Section 359 of the California Public Utilities Code is to promote development of voluntary regional markets in the West through a regional compact, including an equitable process for governance and oversight of the regional market.

²For example, the pro forma Scheduling Coordinator Agreement binds the party to:

- CAISO Tariff governs all aspects of bidding and scheduling of Energy and Ancillary Services on CAISO Controlled Grid, including (without limitation), the financial and technical criteria for Scheduling Coordinators, bidding, Settlement, information reporting requirements and confidentiality restrictions;
- It will abide by, and will perform all of the obligations under CAISO Tariff placed on Scheduling Coordinators in respect of all matters set forth therein including, without limitation, all matters relating to the bidding and scheduling of Energy and Ancillary Services on CAISO Controlled Grid, obligations regarding Resource Adequacy Plans and other requirements of Section 40 of CAISO Tariff applicable to Scheduling Coordinators for affected Load Serving Entities, ongoing obligations in respect of scheduling, Settlement, system security policy and procedures to be developed by CAISO from time to time, billing and payments, confidentiality and dispute resolution;
- It shall ensure that each UDC, over whose Distribution System Energy or Ancillary Services are to be transmitted in accordance with Bids submitted to CAISO by the Scheduling Coordinator, enters into a UDC Operating Agreement in accordance with Section 4.4 of CAISO Tariff;
- It shall ensure that each Generator for which it submits Bids enters into a Participating Generator Agreement in accordance with Section 4.6 of CAISO Tariff;
- It shall have the primary responsibility to CAISO, as principal, for all Scheduling Coordinator payment obligations under CAISO Tariff;
- Its status as a Scheduling Coordinator is at all times subject to CAISO Tariff.

To remedy this concern, PacifiCorp suggests that CAISO develop a new service agreement for "EIM Coordinators". This agreement would establish the contractual relationship between CAISO and parties that want to limit their interaction with CAISO to that of EIM Participants. This service agreement would require the EIM Participant to adhere to the section of CAISO Tariff that contains the EIM (including any other provisions specifically referenced in that section), but not be subject to other provisions of CAISO Tariff.

Section 3 EIM Design

3.1 Key Roles within EIM

- In Section 3.1 of the Straw Proposal, CAISO states clearly that there is "no impact" to the current Western Electricity Coordinating Council ("WECC") and North American Electric Reliability Corporation ("NERC") functional responsibilities for compliance with Reliability Standards of the EIM Entity. PacifiCorp agrees with this provision. Participating in the EIM does not mean joining CAISO or any change to PacifiCorp's WECC and NERC functional responsibilities. As correctly noted by CAISO in the Straw Proposal, EIM Entities will continue to operate as the Balancing Authority. See Straw Proposal at 7.
- PacifiCorp requests that CAISO modify Section 3.1.3 of the Straw Proposal (including any other related provisions) to clarify the EIM Entity role as a Transmission Service Provider, as well as a Balancing Authority. For example, the Balancing Authority has the responsibility to submit balanced schedules and the Transmission Service Provider has the responsibility to administer OATT Schedules 4 and 9.

3.3 EIM Input Data

- Section 3.3.2 (and other sections): PacifiCorp recognizes the need for balanced and feasible schedules among all EIM Entities and CAISO for the EIM. The definition of balanced schedules, including but not limited to the time duration evaluated, the evaluation frequency and the inclusion (or not) of regulating reserve capacity in the evaluation, should be the subject of additional discussion. Enforcement and/or ramifications should also be discussed.
- Section 3.3.7: Section 3.3.7 footnote 2 of the Straw Proposal does not adequately explain the need for the EIM Participant to distinguish between spinning reserve, supplemental (i.e., non-spinning reserve) and up/down (i.e., regulation). The EIM Participant should only be required to specify the amount of capacity on a resource that is being held out of the EIM, regardless of the reason.
- Section 3.3.8: Section 3.3.8 of the Straw Proposal and others refer to "...dynamic schedules with resources..." PacifiCorp requests that CAISO clarify that this does not

apply to all bid resources and that this only applies to dynamic schedule on the inerties. In addition, Section 3.3.8 and others also state that dynamic e-tags will have an initial value of zero. This may be inconsistent with NERC Reliability Standards for interchange (INT). Rather, the initial value should be the EIM Entity's best estimate, which may be zero.

- Section 3.3.13: CAISO should explain or delete the sentence "The number of LAPs will also determine the effort in managing multiple load forecasts." PacifiCorp's understanding is that the number of LAPs and load forecasts are independent of each other.
- Section 3.3.15: PacifiCorp requests clarification to indicate the EIM Entity has the option of either providing renewable energy production forecasts to CAISO at no charge or contracting with CAISO to provide the renewable energy production forecasts for the EIM. PacifiCorp requests CAISO to provide the minimum requirements for such forecasts and forecast delivery.
- Section 3.3.16: CAISO should indicate requirements for the EIM Entity to provide estimated time of return for unplanned resource and transmission outages.
- Section 3.3.18: PacifiCorp requests that CAISO clarify Section 3.3.18 of the Straw Proposal to specify minimum data requirements separately for: (1) resources that elect not to bid into the EIM, and; (2) resources that elect to bid into the EIM.

3.4 EIM Optimization

- PacifiCorp requests that CAISO add clarity and a full description for Minimum Shift Optimization, which is the process to ensure a balanced and feasible dispatch prior to the economic dispatch. PacifiCorp also requests that CAISO clarify that the EIM Entity will be required to run a network model in the hourly and/or 15 minute time frame to assure feasibility.

3.5 EIM Output results

- Section 3.5.3 Dynamic Imbalance Schedules to Net: This section should clarify that the static schedules will not change every 5 minutes, and only the dynamic signal portion of the Net Scheduled Interchange (the transfer of energy from CAISO-PAC and vice versa) is all that changes and is sent to PacifiCorp every 5 minutes. Also, please clarify how this relates to the Net Scheduled Interchange being sent every 4 seconds, as mentioned in the matrix found in section 3.2.1.

3.6 EIM System Operations

- Congestion Management - The Straw Proposal notes "EIM includes external sources and sinks in its market network model to accurately model flows between EIM and areas with which it coordinates." See Straw Proposal at 34. PacifiCorp understands the benefits of external entities providing information to CAISO, specifically balancing authorities and transmission service providers that are not EIM Entities. PacifiCorp recognizes there is additional discussion required to resolve this issue.

PacifiCorp recognizes the value of interregional (i.e., Balancing Authority to Balancing Authority) transfer capability to EIM benefits. However, similar to the voluntary nature of bidding resources, each EIM Entity should have the opportunity to voluntarily commit any amount or no amount of reserved transmission capacity between Balancing Authorities for EIM transactions.

- Section 3.6.4: In Section 3.6.4 of the Straw Proposal, CAISO states that energy scarcity in meeting demand deviations can manifest because of either insufficient energy bids or inadequate ramp capability. In these cases, CAISO proposes to relax the power balance constraint at an administrative penalty cost. The proposal does not provide details as to how this administrative penalty would be set. In addition, CAISO should clarify that this penalty cost is a model parameter and not a direct cost to the EIM Entity. If, however, the penalty does affect the LMP, an additional issue for discussion should be if the scarcity is attributable to either CAISO Balancing Authority or a PacifiCorp Balancing Authority whether the other Balancing Authority should be subject to the administrative penalty cost.

3.7 Settlement and Accounting

- In Section 3.7.5 of the Straw Proposal, CAISO states that generators will have the option to be either a Scheduling Coordinator Metered Entity ("SCME") or a CAISO Metered Entity ("ISOME"). This statement results in EIM Participants being subject to CAISO's existing metered entity requirements. PacifiCorp recognizes that there is the need for the metering standards in the EIM. However, the Metering, Section 10 of CAISO Tariff, contains provisions that may not be appropriate to the EIM, EIM Entities or EIM Participants. For example, Section 10.3.7 required that Scheduling Coordinator Metered Entities need to be metered by a revenue meter complying with standards of the relevant Local Regulatory Authority or, if no such standards have been set by that Local Regulatory Authority, the metering standards set forth in this CAISO Tariff and as further detailed in the Business Practice Manuals." Not all EIM Participants have Local Regulatory Authorities that issue standards on metering and not all metering standards set forth in CAISO Tariff or Business Practice Manuals may be considered necessary for the EIM. CAISO should work with PacifiCorp and other interested stakeholders to develop an appropriate EIM-specific Metered Entity.

- In Section 3.7.9 of the Straw Proposal, CAISO states that it conducts a revenue neutral market. CAISO calls for additional discussion to determine if Unaccounted for Energy (which it labels as “MW neutrality”) will be calculated based on the EIM Entity as a whole or performed at lower levels of granularity. Additionally, CAISO proposes that an EIM Entity’s LMP differences will be allocated to the EIM Entity’s measured demand, including loads and exports.

PacifiCorp agrees that more discussion is needed on these issues. Given the nature of the EIM as an imbalance market, PacifiCorp is particularly concerned about allocation of charges to metered demand, rather than the net deviations for that particular hour. Allocations to measured demand raise significant cost causation concerns.

3.8 Other Items

Market Monitoring

- PacifiCorp recognizes the importance of market monitoring for the EIM. CAISO’s Department of Market Monitoring (“DMM”) has experience in overseeing the existing CAISO’s market and the EIM will benefit from their expertise.
- PacifiCorp believes additional discussion is necessary regarding the appropriate limitations to place on the information that can be requested by DMM of EIM-only participants. This should balance the need for the DMM to have information necessary for effective oversight of the EIM, but not go beyond that to include information that may be appropriate to entities that have joined CAISO or are participating in the other CAISO markets and processes.
- With respect to CAISO’s comments in Section 3.8.1 of the Straw Proposal that services provided by DMM will be included in the administrative charges, PacifiCorp notes that the proposed EIM charges in Section 3.7.10.2 already are based on an allocated share of the overall Market Services component of CASIO’s Grid Management Charge (“GMC”). As the DMM costs are already embedded in CAISO’s GMC, PacifiCorp would not expect any additional EIM charges associated with DMM oversight.

Compliance

- While PacifiCorp recognizes the need for oversight and enforcement of the EIM, PacifiCorp does not agree with CAISO’s statement in the Straw Proposal that the Enforcement Protocol should be “the same as in CAISO Tariff.” See Straw Proposal at 44. Section 37 of CAISO Tariff contains numerous provisions that do not apply to the EIM. For example, Section 37.2.1.1 requires compliance with operating orders issued by CAISO directing a Market Participant to undertake, a single, clearly specified action (e.g., the operation of a specific device, or change in status of a particular Generating

Unit) that is intended by the ISO to resolve a specific operating condition. This provision does not appear to apply to EIM Entities that operate as distinct Balancing Authorities.

- With respect to Sections 37.2.3 and 37.4.2, CAISO is not overseeing outages taken by EIM Participants. Similarly, 37.2.4 concerns activity on the part of CAISO's Resource Adequacy Resources. The EIM does not address resource adequacy and suppliers in the EIM can be committed to serve load in the EIM Entity and not be CAISO Resource Adequacy Resources. Section 37.3.1 covers bids for RUC Capacity and Ancillary Services as well as Energy.
- PacifiCorp will work with CAISO and interested stakeholders to develop appropriate EIM-specific enforcement protocols. These will be intended to cover all aspects of EIM participation including scheduling, reporting, and metering.

Section 4 EIM Issue Paper

4.1 Market Rules Oversight and 4.2 Market Rule Structure

- In Section 4.2 of the Straw Proposal, CAISO proposes that the EIM rules will be contained in a discrete part of CAISO Tariff to provide additional clarity to all EIM Entities and EIM Participants. PacifiCorp strongly supports this concept. Given the complexities and interrelated nature of the existing CAISO Tariff provisions and service agreements, it will be important for EIM Participants to have a single place to identify the rates, terms, and conditions of EIM participation.

Thus, more than just establishing a separate section of CAISO Tariff, PacifiCorp expects the first provision of that section to read something to the effect of "Notwithstanding any other provision of CAISO Tariff, this section and this section alone defines the rights and obligations of EIM Entities and EIM Participants. Unless, expressly referenced in this section, no other provision of CAISO Tariff applies to EIM participation."

Accordingly, PacifiCorp would expect to work with CAISO and interested stakeholders to develop a new EIM-specific service agreement.

4.5 Uplift Allocations

- In Section 4.5 of the Straw Proposal, CAISO writes, "[d]ue to the nature of the EIM and the structure of various Market Operator settlement charge codes, the Measured Demand allocation base for EIM Entity will need to be determined." The Straw Proposal goes on to state, "[t]his determination will be [made in the] stakeholder process based upon input of stakeholders and be influenced based upon the EIM design outline in Section 3." PacifiCorp agrees to defer consideration of any uplift charges to the Stakeholder Process.

- CAISO must identify a comprehensive set of potential uplift charges related to the real-time market. Once this list is developed, CAISO, PacifiCorp, and other interested stakeholders can apply cost causation principles to determine if all or a portion of the costs should be allocated to the EIM.
- CAISO notes on Page 49 that Bid Cost Recovery is another potential market uplift whose allocation will depend on the EIM design. In the straw proposal, the EIM Market Operator will not make commitment decisions for the EIM Entity and will simply utilize on-line resources to meet demand, thus the main components driving Bid Cost Recovery of Start-Up Costs and Minimum Load Costs will not be applicable. However, the Bid Cost Recovery could be very important to PacifiCorp even without commitment related impacts because of the large CAISO wind and solar ramps PacifiCorp resources will be called upon to follow.

PacifiCorp looks forward to the opportunity to work with CAISO and market participants in achieving a fair and reasonable resolution of these issues in accordance with cost causation principles.

- If it is determined that it is appropriate to assign an uplift to the EIM, it will be necessary to develop the appropriate billing determinant. As noted above, however, unless cost causation principles demonstrate otherwise, that with the exception of the proposed EIM administration fee which is based on a floor of 5% of gross load and 5% gross generation, *all other charges related to the EIM should be based only on actual imbalances.*

4.6 Greenhouse Gas Emission Costs for Imports into California

- PacifiCorp suggests that any payments for greenhouse gas emission costs resulting from EIM Entity imports into California should be settled by the EIM Entity directly with CARB rather than through a CAISO uplift charge.
- PacifiCorp appreciates the complexity of the greenhouse gas costs assigned to EIM Entity and EIM Participant resources and requests CAISO provide explicit examples of the proposed greenhouse gas costs assigned or allocated to bid resources. Examples should include how or if the greenhouse gas costs are reflected in the locational marginal prices.

IV. ADDITIONAL ISSUES

While the Straw Proposal is comprehensive, there are still additional issues that need to be addressed with respect to the EIM. These include:

- The credit requirements for EIM participation;
- Development of the testing program; and

- Development of the Readiness Plan and Reversion Plan that FERC has been requiring as a prerequisite for authorization to introduce new markets.
- Section 3.7.9 and 3.7.10.2 examples should say MWh, not MW.
- Section 3.7.10.1 should say western interconnection, not WECC.

V. CONCLUSION

PacifiCorp reiterates its appreciation for the continuing efforts of CAISO management and staff to develop the EIM in a timely basis and in accordance with the principles in the MOU. It is because CAISO and PacifiCorp are in fundamental agreement on many of the core elements of how the EIM would work, that PacifiCorp has tried to use these comments to focus on the remaining issues in an effort to inform the Stakeholder Process as CAISO works to refine and revise the Straw Proposal. PacifiCorp will continue to be an active participant in the Stakeholder Process and undertake the necessary activities to be able to support startup of the EIM October 1, 2014.