

**PACIFICORP'S COMMENTS
ON THE FIRST DRAFT TARIFF
December 5, 2013**

I. INTRODUCTION

Pursuant to the schedule established by the California Independent System Operator Corporation (“ISO”) for its Energy Imbalance Market (“EIM”) Stakeholder Process, PacifiCorp submits the following comments to the ISO on the First Draft Tariff dated November 12, 2013 (“Draft Tariff”). PacifiCorp has been an active participant in the ISO’s Stakeholder Process, including submitting comments on each version of the ISO’s straw proposals for EIM market design, the final version of which was approved by the ISO Board of Governors November 7-8, 2013. PacifiCorp appreciates the ISO’s consideration of all stakeholder comments to date and these comments are offered in the spirit of further achieving the development of robust and effective EIM rules and practices. 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 the ISO or interested stakeholders not perceive the absence of comments on any particular question, issue or other matter as a conclusive indication of PacifiCorp’s lack of interest, support or opposition with respect thereto.

PacifiCorp understands and recognizes that the Draft Tariff is an initial step in an ongoing effort on the part of the ISO to undertake the difficult task of reflecting the Draft Final Proposal in tariff language. PacifiCorp is committed to continuing to work with the ISO in this endeavor. PacifiCorp’s comments below are designed to be helpful and constructive and are intended to be informative to this ongoing effort.

II. COMMENTS

A. Interaction Between Section 29 and Other Sections of the ISO Tariff

A significant element in reviewing the Draft Tariff for EIM is to determine how Section 29, which PacifiCorp understands is intended to encompass *all* of the rights and obligations of EIM participants, interacts with and relates to the other sections of the ISO Tariff. On the one hand, PacifiCorp appreciates the ISO’s desire to avoid duplicating requirements of the ISO Tariff (other than Section 29) that apply to EIM participants. Taken to an extreme, such duplication could effectively result in two ISO tariffs: one for EIM participants and one for other ISO participants or members. By contrast, it is critically important that EIM participants clearly understand their rights and obligations under the ISO’s tariff—both in Section 29 and any other applicable sections. This clarity will provide for more efficient and broad-based participation in EIM, as well as facilitate an independent governance structure for EIM.

The Draft Tariff, in Section 29,1(b)(2), proposes to describe the interaction between the ISO Tariff and Section 29 by stating that other provisions of the ISO Tariff apply to the extent such provisions: (1) expressly refer to Section 29 or EIM Market Participants; (2) are cross-referenced

in Section 29; or (3) otherwise by their terms apply to EIM Market Participants. Further, if there is a conflict between a provision in Section 29 and another provision of the ISO Tariff regarding the rights or obligations of EIM Market Participants, the provision in Section 29 shall prevail to the extent of the inconsistency. For reasons more fully described below, both the first and third provisions may prove challenging.

PacifiCorp proposes that the ISO Tariff state that, unless specifically referenced in Section 29, provisions of the ISO Tariff *do not* apply. This approach would be consistent with the ISO's desire to reduce redundancy and the potential for inconsistency while also ensuring all of the EIM requirements are contained in Section 29 and that inadvertent application of ISO Tariff provisions is avoided. PacifiCorp understands that this may involve a significant undertaking to identify all ISO Tariff provisions that are applicable to EIM participants. However, containing all EIM-related rights and obligations in Section 29 of the ISO Tariff would facilitate easier modifications to EIM provisions in the future by avoiding the need for corresponding changes to other ISO Tariff sections. In addition, by containing all of the EIM requirements in Section 29, EIM participants would be relieved of the significant burden of having to monitor all future modifications of the entire ISO Tariff to the extent such changes (other than in Section 29) may implicate their rights and obligations as an EIM participant. This type of burden may ultimately discourage participation in the EIM by some entities.

It is also important for the sections of the ISO Tariff that contain the rights and obligations of EIM participants to be clearly identifiable in light of the possible shift to an independent governance structure for EIM. Having as much of the EIM requirements and obligations in Section 29 will help to minimize uncertainty regarding the scope of the independent governance structure, among other things. Accordingly, a reasonable balance must be struck between detailed cross-referencing and the integration of all relevant EIM provisions into Section 29.

Finally, Section 29.1(b)(2)(B) states that other provisions of the ISO Tariff apply to the extent such provisions otherwise by their terms apply to EIM participants. As highlighted by the examples provided below, as currently presented in the Draft Tariff, this language may be too vague and ambiguous to provide parties a consistent framework for what sections of the ISO Tariff outside of Section 29 may apply to EIM. The task of determining which section of the ISO Tariff "applies by its own terms" is especially difficult because the Draft Final Proposal did not address the application of the ISO Tariff, even in principle. In this context, PacifiCorp would be supportive of the approach set forth in the Draft Tariff if cross-references are more specific (to the subsection level) and the extent to which entities must determine which sections of the ISO Tariff "apply by their own terms" is minimized or eliminated. PacifiCorp will continue to support the ISO in these efforts.

Below is a non-exhaustive set of examples of how the above provisions may prove problematic:

1. Section 29.6(b) EIM Communications and OASIS

This section states that Section 6 shall govern communications and information availability regarding the EIM to the extent it applies by its own terms except that (1) references to internal

resources shall be deemed to include EIM Participating Resources; and (2) references in Sections 6.2.2.1 and 6.5.2.1 to the CAISO Controlled Grid shall be deemed references to the EIM Area.

Section 6.3.1 of the ISO Tariff, which per Section 29 would apply to EIM if it “applies by its own terms,” refers to the ISO’s ability to give dispatch instructions directly to the operators of generating units and other resources in situations of deteriorating system conditions or emergency. However, PacifiCorp understands that under the Draft Final Proposal, the ISO will not communicate directly with operators of generating units in this manner. Rather, the EIM Entity will maintain its Balancing Authority responsibilities and communicate instructions directly to resources within its Balancing Authority Area when system conditions warrant such instruction. Accordingly, it is unclear whether or how this ISO Tariff section applies in the EIM. This portion of Section 6.3.1 could potentially be interpreted *not* to apply to participating resources in an EIM Balancing Authority Area “by its own terms.” More clarity into the application of this Section would be helpful.

2. Section 29.9(a) Outages and Critical Contingencies

This section notes that Section 9 of the ISO Tariff applies to outages of transmission and generation facilities within an EIM Entity Balancing Authority Area, except as stated in sections 29.9(b)-(f). However, there are portions of Section 9, such as ISO approval of transmission outages, that could be interpreted as *not* applying to EIM participants “by its own terms” because the ISO has no role in approving outages for EIM participants. Portions of Section 9 relating to ISO approval are not specifically noted as exceptions to the general applicability of Section 9. Furthermore, 29.9(b) references notices to the ISO with respect to approved transmission outages. As noted, this may be problematic because the ISO has no role in approving outages for EIM participants. It is difficult to know from this language which sections of the ISO Tariff do and do not apply. Accordingly, PacifiCorp recommends that the outage scheduling requirements for EIM participants be set forth in Section 29 or applicable sections of the ISO Tariff should be more specifically referenced.

3. 29.9(b)(1) Transmission Maintenance Outages – Responsibility

Section 9 of the ISO Tariff, referenced in this Section, gives the ISO authority for the CAISO Controlled Grid. In Section 29.6(b)(2), it is noted that references in Section 6.2.2.1 and Section 6.5.2.1 to the CAISO Controlled Grid shall be deemed references to the EIM Area. This inconsistency has the potential to create confusion.

4. Section 29.11(a) Settlements And Billing – Applicability

This section states that Section 29.11, rather than Section 11, shall apply to the ISO settlement with EIM Entity Scheduling Coordinators and EIM Participating Resource Scheduling Coordinators of all EIM charges described herein. Accordingly, it is unclear if other aspects of Section 11 apply. For example, Section 11 contains provisions regarding settlement principles, use of Fed-Wire, sets forth a series of deadlines, and addresses default interest. More specific information would be helpful to assess the applicability of Section 11. In another example, Section 11.29(b) states “the

purchase and sale of any products or service, or any other transaction that is financially settled by the CAISO under this tariff shall be deemed to occur within the State of California.” However, proposed section 29.22 states “Title for energy in the Energy Imbalance Market passes directly from the entity that holds title when the energy enters the CAISO Controlled Grid to the entity that removes the energy from the CAISO Controlled Grid.” At a minimum, Section 29 should explicitly state that Section 29.22 applies and Section 11.29(b) does not.

5. 29.11(f)(3)(A) EIM Entity Hourly RTM Bid Cost Uplift

This section refers to ISO Tariff Section 11.8.6.3, which addresses bid cost uplift from all ISO markets. Accordingly, it is unclear how the provisions of Section 11.8.6.3 apply specifically to the EIM, which is strictly a real time market. Specifically, Section 11.8.6.3 refers to Bid Cost Recovery (BCR) amounts from markets that only exist in the ISO and are not part of the EIM. PacifiCorp recommends that the ISO exclude non-EIM market costs from its own calculation for Real Time BCR such that the factor is calculated consistently for all EIM participants.

6. Section 29.34(l) EIM Optimization

This section states that the ISO will perform EIM optimization using the procedures and timelines in Section 34 of the ISO Tariff. However, Section 34 of the ISO Tariff refers to ancillary services markets and short-term unit commitment. It is unclear to PacifiCorp whether and how these terms apply in the EIM.

7. EIM Entity Scheduling Coordinator Agreement Section 3.2

Section 3.2 (termination) refers to sections of the ISO Tariff that govern termination of Scheduling Coordinator Agreements. Section 4.5.4.4(a)(iv) of the ISO Tariff states that if the Scheduling Coordinator does not participate in the ISO's markets for Energy or Ancillary Services for a period of twelve (12) consecutive months and fails to comply with the provisions of Section 4.5.4.4.2 within one hundred and twenty (120) days after the ISO has given it written notice of the ISO's intent to terminate its Scheduling Coordinator Agreement. As a result, it is unclear from Section 29 or the cross-referenced section that the EIM is an “Energy” market, as defined by the ISO Tariff. PacifiCorp assumes this is the case, but recommends that the ISO clarify tariff defined terms. For example, a reference to the “Master Definitions Supplement set out in Appendix A” could address this concern.

8. EIM Entity Agreement Section 4.1

PacifiCorp recommends that Section 4.1 expressly state that other sections of the ISO Tariff besides Section 29 only apply and are incorporated by reference if they expressly refer to EIM Entities. This is consistent with the above discussion of Section 29.1(b).

B. Comments on Specific Sections of the Draft Tariff

1. Section 29.1(c) Conflict Between Provisions

PacifiCorp supports the proposed conflict language in concept: the language in Section 29 should appropriately prevail over inconsistent language throughout the ISO Tariff. PacifiCorp recommends rewording the sentence to read: if there is a conflict between a provision in Section 29 and another provision of the ISO Tariff regarding the rights or obligations of EIM Market Participants, the provision in Section 29 shall prevail to the extent there exists an inconsistency.

However, this language as currently drafted appears vague.

2. Section 29.1(d) Reversion

This section allows the ISO to temporarily revert to pre-EIM operations within the first thirty days following the implementation date of the EIM for an EIM Entity, and to permanently revert to pre-EIM operations if issues identified during the temporary reversion cannot be resolved. PacifiCorp strongly urges the ISO to allow temporary or permanent reversion to occur outside of the first thirty days of implementation. It is critical that reversion be allowed when warranted regardless of the timeframe in which it occurs. It is challenging to predict future events that may impact operation of the EIM. In the event of unexpected circumstances that render the EIM inoperable (for whatever reason) the ISO and EIM Entities should have the ability to remedy any impacts. Reversion is a critical component of this remedy. PacifiCorp understands that the ISO is currently in the process of developing reversion protocols. The results of this development should be incorporated into the next version of Section 29. Though these sections need not be prescriptive, it is important that EIM Entities and market participants understand and are assured that potential risks associated with participation in EIM are mitigated through a reversion option. This is important for participation, as EIM Entities, such as PacifiCorp, must demonstrate that any potential harm to retail customers associated with participation in the EIM will be mitigated. In addition, the ISO should allow an EIM Entity to initiate reversion to protect itself and its customers from unexpected circumstances.

Reinstatement of EIM operations after temporary reversion should be by public notice no less than 5 days, rather than 10. This will allow for faster reinstatement. In addition, because the timing for reinstatement is shorter than that would normally be required for a filing with the Federal Energy Regulatory Commission (FERC), more detail with respect to the filing requirements for reinstating EIM operations following a permanent reversion would be helpful.

3. Section 29.2(a)(2) Access to EIM

PacifiCorp recommends that a definition of EIM Transmission Service Customer should be added to this section.

4. Section 29.2(b)(3) Implementation Period

This section states that the ISO shall, in its discretion, determine the required length of the implementation period. While PacifiCorp agrees with this, PacifiCorp recommends that a sentence be added to end of paragraph that obligates the ISO to post this determination no later than 30 days, or other appropriate timeframe, following this determination. This will inform other EIM

Entities and other affected parties of the timeframe under which a new EIM Entity will be incorporated into the EIM. This section should also include information on any application windows that the ISO may adopt.

5. Section 29.4(c)(4)(D) Obligations

This section states that the EIM Entity is responsible for registering both participating and non-participating resources. PacifiCorp agrees that the EIM Entity should be responsible for registering non-participating resources. However, the EIM Participating Resource Scheduling Coordinator should have the primary responsibility for registering participating resources. While the EIM Participating Resource Scheduling Coordinator should have primary responsibility, the EIM Entity should also be included in the registration process to ensure that the EIM Entity has sufficient information regarding participating resources. This could occur through a simultaneous registration process to the ISO and the EIM Entity or, alternatively, the ISO could transmit its master resource data file to the appropriate EIM Entity when a registration occurs.

6. Section 29.4(c)(4)(E) Obligations

This section requires schedule submission 20 minutes in advance of the operating interval. However, "Operating interval" is not a defined term. The ISO should consider adding "operating interval" as a defined term or revising this section to specify which operating interval is referenced.

7. Section 29.7(f)(1)&(g) EIM Entity Manual Dispatch; Section 29.34(p)(1)(b)(i) Intertie Schedules with Other Balancing Authorities

These two sections refer to "manual dispatch" by the EIM Entity to resources in its Balancing Authority Area. The term "manual dispatch" was not used in the Draft Final Proposal and it is not clear what is intended by the use of this term. It appears to PacifiCorp that what is meant to be referred to in these sections is what the Draft Final Proposal referred to as "exceptional dispatch." PacifiCorp recommends that the ISO should either change the appropriate references to exceptional dispatch or clarify what is meant by manual dispatch and how it is different from exceptional dispatch as that term was used in the Draft Final Proposal.

8. Section 29.10(a)&(d) Settlement Metering

The term "settlement metering" is not defined in the ISO Tariff. If the intent of this section is to reference the defined term "Settlement Quality Meter Data," then this term should replace the term "settlement metering."

The statement that, "Settlement metering is required for all EIM Entity Balancing Authority Area interties" appears to contradict Draft Final Proposal Section 3.7.7 of the Draft Final Proposal which states, "Settlement metering is not required for interchange points between EIM Entity BAA and external BAAs if they are tagged." PacifiCorp has understood that e-tag values at the interties will only be considered for final settlement and the difference between an intertie e-tag and the

metered value is inadvertent energy. Section 3.7.5 of the Draft Final Proposal seems to further reinforce that the established Western Electricity Coordinating Council inadvertent payback mechanisms do not change with the EIM. To the extent the ISO intends to require settlement metering at EIM Entity interties, PacifiCorp recommends that the ISO explain the any discrepancy between the Draft Tariff and the Draft Final Proposal.

9. 29.11 Settlements and Billing

In general, PacifiCorp recommends that it may be more efficient to have separate sections covering settlements for participating resources and settlements for EIM Entities relating to non-participating resources and load. As currently drafted, it is difficult to understand which charges flow directly from the ISO to participating resources and which are settled by the EIM Entity.

PacifiCorp understands that this section only applies to participating resources. If this understanding is correct, this should be made explicit.

10. Section 29.11(b)(3) Import & Export Schedules

Section 3.7.3 of the Draft Final Proposal describes settlement for import export schedules as, "This uninstructed imbalance energy is settled at the straight average of the three 5-minute [locational marginal price] LMPs for the relevant 15 minute market interval." The Tariff only notes 5-minute LMPs. If a straight average is going to be used in the settlements process as the Draft Final Proposal described, PacifiCorp recommends that Section 29 should also refer to a straight average approach.

This Section does not appear to reflect the impact of the 15-minute market and updates to export/import schedules. PacifiCorp recommends that the ISO ensure that Section 29 is in conformance with tariff provisions proposed as part of its Order 764 compliance filing.

11. Section 29.11(d)(1) Under-Scheduling Charges

In the first sentence, PacifiCorp recommends that "metered remand" should be changed to "metered demand."

12. Section 29.11(e)(2)(A) EIM Balancing Authority Area Real Time Market Neutrality Allocation

The term "real time net schedule interchange" does not appear to have been specifically defined in this Section or elsewhere in the ISO Tariff. PacifiCorp recommends that the ISO should clarify that the term "real time net schedule interchange" refers to the incremental energy flow that occurs due to real time market dispatch, relative to the hourly (or 15-minute) base intertie schedules. Since the term "net scheduled interchange" is a commonly used term that is not the same as real-time net scheduled interchange, the distinction should be made clear.

13. Section 29.11(e)(2)(C)(i) EIM Balancing Authority Area Real Time Market Neutrality Allocation; Section 29.11(f)(3)(B)(i) EIM Transfer Adjustment

These sections describe the calculation of a ratio that will be used to reduce transfer of neutrality costs between areas. PacifiCorp recommends that it should be made clear that the amounts involved are in MWh and not dollars, since previous sections refer to dollar amounts. Further the section is unclear as to how the ratio in this section is used to reduce the transfer amount. A section or statement should be added to the effect that the initial neutrality amount is multiplied by the factor calculated in this section to determine the dollar amount to be transferred out of the area.

14. Section 29.11(e)(3)(A) EIM Area Neutrality Allocation

This section refers to "real-time ancillary service congestion revenues and virtual awards, if applicable." It should specify how they would be applicable or what sections of the ISO Tariff would apply. In general, these do not appear to be within the scope of EIM and therefore would not enter into a neutrality allocation outside of ISO.

15. Section 29.11(e)(6) Virtual Schedule Congestion Balancing Account

The existence of a separate section for "Virtual Schedule Congestion Balancing Account" implies a new charge code will be created for these costs. If this is not the case, the language of this section should be added to Section 29.11(e)(4) as a subsection rather than contained in a separate section.

16. Section 29.11(k) Transmission Service and Section 29.26 Transmission Rates and Charges

Section 29.26(a)(1) states that transmission service charges for EIM transactions with sinks on the CAISO Controlled Grid are to be governed by Section 26 of the ISO Tariff, which broadly governs transmission access charges. PacifiCorp understands that this is not intended to imply that there will be a transmission access charge imposed on EIM imports into the ISO Balancing Authority Area because Section 26 does not impose such a charge on imports. However, to avoid confusion, PacifiCorp recommends that additional language be added to this section to clarify this point.

17. Section 29.20 Confidentiality Provisions

This section requires execution of a separate non-disclosure agreement (NDA) between the ISO and each EIM Scheduling Coordinator. It would be helpful to understand where this document is maintained and whether it will be a *pro forma* agreement subject to public comments prior to inclusion in Appendix B.

18. Section 29.34(e)(5)

PacifiCorp recommends that this Section refer to 40 minutes before the operating hour, not 75.

19. Section 29.34(f)(1) Real-Time EIM Base Schedules

This section appears to require that non-participating resources in the EIM Entity Balancing Authority Area must submit real-time hourly EIM Base Schedules that meet business practice

requirements. PacifiCorp recommends that the ISO tariff should place obligations only on participating resources and EIM Entities, and should not apply to non-participating resources. The ISO Tariff will not apply to non-participating resources because those resources will not be required to enter into a contractual arrangement with the ISO. Therefore, to the extent information is needed from non-participating resources in order to develop base schedules, such information must be gathered by or through the applicable EIM Entity. Though this example is highlighted here, Section 29 should be reviewed in its entirety to ensure that legal obligations are not placed on non-participating resources directly by the ISO.

To be consistent with the Draft Final Proposal, the reference in subsection 29.34(f)(1)(B) should refer to 40 minutes, not 45.

20. Section 29.34(o)(6)(1-3) Effect of Insufficiency

A fourth subsection should be added to this section to specify when the EIM Entity may again meet the flexible ramping sufficiency test.

PacifiCorp recommends that the ISO clarify what is meant by the term “combination constraints.” PacifiCorp is not aware of this term in common parlance and it was not used in the Draft Final Proposal.

21. Section 29.34(p) Reserve Sharing

PacifiCorp agrees with the substance of this section regarding the EIM Entity and EIM Entity Scheduling Coordinator responsibilities with respect to reserve sharing and contingency reserves. However, PacifiCorp is concerned that there is potential confusion between the concepts of reserve sharing and contingency reserves. Each EIM Entity will be required to carry a certain amount of contingency reserves, which may or may not be required under a reserve sharing arrangement. As such, these terms are related but not interchangeable. Therefore, PacifiCorp proposes that the title of the section be modified to also reference contingency reserves to clarify that reserve sharing and contingency reserves are related but separate concepts.

22. EIM Entity Agreement Section 3.2.2 Termination by EIM Entity

This section of the EIM Entity Agreement requires one-hundred and eighty (180) days written notice to terminate the Agreement. As noted above, it is very important for PacifiCorp as an EIM Entity to have the ability to initiate a reversion or termination due to unexpected circumstances at any time and within a time period that is significantly shorter than 180 days. This lengthy notification period may only be appropriate so long as there are other remedies, such as temporary and permanent reversion, in place to protect wholesale and retail customers within a shorter period of time. PacifiCorp will continue to work with the ISO on reversion and termination concepts and intends to supplement these comments on the appropriate notification period at such time additional information is available.

The ISO should also clarify whether the ISO will file notice of termination within thirty days or one hundred and twenty days – the current language references both number of days.

PacifiCorp also requests information with respect to whether or not the ISO intends to file the EIM Entity Agreement and EIM Entity Scheduling Coordinator Agreement with FERC. PacifiCorp's understanding is that typically *pro forma* agreements are not filed with FERC but are instead listed on the appropriate Electric Quarterly Report (EQR) unless they are non-conforming. Both agreements included as appendices to the Draft Tariff are labeled as *pro forma* agreements. PacifiCorp requests clarification as to whether this is an indication that agreements will be listed on the EQR rather than separately filed.

23. EIM Entity Scheduling Coordinator Agreement Section 3.2

In this section there is a blank to indicate that the agreement shall commence on the later of (a) _____ or (b) the date the EIM Entity Scheduling Coordinator is certified by the ISO. The ISO should clarify what the former option is meant to convey.

24. Miscellaneous

The method used to calculate LMP and Load Aggregation Point prices should be documented in Section 29 or by an appropriate cross-reference to the applicable section of the ISO Tariff.

III. CONCLUSION

PacifiCorp appreciates the ongoing efforts of the ISO management and staff to develop changes to the ISO's Tariff in a timely manner and in accordance with the market design principles set forth in the Draft Final Proposal. PacifiCorp will continue to be an active participant in the EIM stakeholder process and undertake the necessary activities to be able to support startup of the EIM on October 1, 2014.