

**PACIFICORP'S COMMENTS
ON THE DRAFT FINAL PROPOSAL
October 8, 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 Draft Final Proposal dated September 23, 2013 (“Draft Final Proposal”). PacifiCorp has been an active participant in the ISO’s Stakeholder Process, including submitting comments: on April 19, 2013 to the ISO’s Initial Straw Proposal; on June 14, 2013 to the ISO’s 1st Revised Straw Proposal; on July 26, 2013 to the ISO’s 2nd Revised Straw Proposal; and on September 6, 2013 to the ISO 3rd Revised Straw Proposal. 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 market rules and practices.

To the extent PacifiCorp raised issues in prior comments that have not been addressed in the Draft Final Proposal, PacifiCorp does not repeat them here. In doing so, 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 recognizes the significant effort the ISO and stakeholders have made in working through the EIM design elements since the Memorandum of Understanding was executed in February 2013. The ISO has developed the market through five iterations of the Straw Proposal and conducted numerous meetings and web conferences, including additional technical workshops as requested by stakeholders. Parties will have the opportunity to continue to debate specific elements. It is unlikely, however, that given the diverse interest of the stakeholders, additional discussion would result in unanimity with respect to all market elements. Accordingly, PacifiCorp maintains that the better course would be to begin the process of drafting the implementing tariffs and agreements to reflect the Draft Final Straw Proposal.

In commenting on prior versions of the ISO’s proposal, several parties raised concerns related to the schedule and timing currently proposed to implement the EIM. PacifiCorp continues to maintain that the current schedule is feasible and reasonable. However, in light of the concerns raised by parties, PacifiCorp notes that there are several factors in place to mitigate potential issues. As discussed below, PacifiCorp anticipates a robust testing phase and the development of a reversion plan. Furthermore, during the testing phase, if any type of phased implementation becomes warranted, it should appropriately be considered at that time. If phasing is identified for issues that arise in testing, the phasing effort should include some amount of interconnection capabilities between the EIM Entity and the ISO.

In Part II of these comments, PacifiCorp presents comments on six key issues:

- A. ISO Facilitation of Hourly Base Schedule and Resource Plan Submission
- B. Local Market Power Mitigation
- C. Timing of Submission of Hourly Resource Plans
- D. Definition of Transmission Service Provider
- E. Market Testing and Reversion Plan
- F. Day-ahead Balanced Schedules

II. COMMENTS

A. ISO Facilitation of Hourly Base Schedule and Resource Plan Submission

PacifiCorp supports the ISO's proposal to implement functionality to facilitate the submission of hourly base schedules, compilation of the hourly resource plan, and final approval of the resource plan by the EIM Entity Scheduling Coordinator. Without this facilitation by the ISO, which is able to leverage its existing systems, PacifiCorp would need to build new interfaces with resources in its balancing authority area ("BAA") as well as create new applications to check the balance and feasibility of base schedules. Utilizing existing systems and applications has a number of benefits, including: 1) reduction in risks associated with new systems and interfaces; 2) lower ongoing maintenance and operation costs to submit and validate base schedules; 3) lower potential for base schedule infeasibilities and attendant reduction in uplift costs and over- or under-scheduling penalties. In addition, a requirement to build new systems and applications could create a potentially significant barrier to entry to the EIM for entities that do not already have this functionality.

Under the Draft Final Proposal, the ISO will perform a feasibility check on base schedules to establish the baseline for settlements with participating resources and the EIM Entity. It will be more efficient for the ISO to extend this capability to perform feasibility checks, on behalf of the EIM Entity, for resources within the EIM Entity BAA. This service enabled by the ISO will benefit all EIM Entity resources by enabling the EIM Entity to effectively resolve infeasible schedules before they become financially binding. It would be inefficient for the EIM Entity Scheduling Coordinator to replicate this capability, transfer the same data to the ISO, and have the ISO repeat the same feasibility test. Not only would this be redundant, but it would require participating resources to lock their hourly base schedules earlier than is currently proposed in order to allow feasibility checks by both the EIM Entity and the ISO.

The ISO's facilitation of feasibility checks on base schedules does not materially change the type of data that would have been submitted to PacifiCorp and ultimately the ISO under previous versions of the proposal. It does not change the business relationship between PacifiCorp and its customers and all financial business for settling non-participating resources will remain with the EIM Entity. It therefore does not create new or additional risks to resources submitting data. The important change is that resources will have the ability to submit data to PacifiCorp for validation and feasibility via the ISO's SIBR user interface. PacifiCorp anticipates that

utilization of this interface will provide important efficiencies that will ultimately benefit all resources with its BAA and reduce barriers to entry for future EIM Entities.

B. Local Market Power Mitigation

In the Draft Final Proposal, the ISO states that it believes it will not be necessary or appropriate to mitigate bids for congestion on EIM transfer limit constraints between EIM Entities and between EIM Entities and the ISO. However, the ISO also indicates that the EIM transfer constraints could be subject to LMPM if it is determined that EIM Entity BAA market power needs to be addressed. PacifiCorp supports this statement.

C. Timing of Submission of Hourly Resource Plans

Under the Draft Final Proposal, the EIM Entity Scheduling Coordinator will approve final hourly resource plans 40 minutes prior to the operating hour. Under current practice in the Western Electricity Coordinating Council ("WECC") region, schedule changes are permitted up to 20 minutes prior to the next clock hour. Therefore, theoretically PacifiCorp's transmission customers may modify their schedules after the hourly resource plan is finalized for the EIM. However, this is not materially different from how the market operates today. In the current market, if a schedule is modified 20 minutes prior to the operating hour, the balancing authority would address any shortfall through the use of its regulating reserves. If the interchange schedule is modified to reflect a change in a load or generation forecast, less regulating reserve would be required. There is a potential for a financial impact if later modification to the schedules causes additional imbalance. Similarly, in the EIM, if modifications are made to schedules after 40 minutes prior to the operating hour, additional uninstructed imbalance could result. However, this issue exists today and is not an issue created by the EIM.

D. Definition of EIM Transmission Service Provider

In the Draft Final Proposal, the ISO adds the following definition:

- **EIM Transmission Service Provider** is a transmission owner or customer (may be a 3rd party separate from the EIM Entity) that controls transmission in the EIM Entity balancing authority area. Such a provider can voluntarily inform the EIM Entity that it is making its transmission available for EIM use.

PacifiCorp's understanding is that the definition has been added to clarify circumstances when transmission rights may voluntarily be made available for use in the EIM, either by a transmission service provider or by a transmission customer. PacifiCorp requests that the definition be broken into two separate definitions for the following reasons: 1) transmission service providers and transmission customers are two very different entities under the open access transmission tariff ("OATT") framework with differently defined rights and responsibilities; and 2) the term "transmission service provider" may cause confusion when made in reference to a transmission customer as transmission service providers are typically

understood to consist of entities that must offer transmission service pursuant to the terms of an OATT.

For these reasons, PacifiCorp suggests that ISO use the following two distinct definitions:

- **EIM Transmission Service Provider** is a transmission owner (may be a 3rd party separate from the EIM Entity) that controls transmission in the EIM Entity balancing authority area. Such a provider can voluntarily inform the EIM Entity that it is making its transmission available for EIM use. This may occur in one of two situations: 1) the transmission owner controls transmission internal to the EIM Entity and will allow EIM to occur over its facilities on an actual-flow basis up to the thermal limits of the transmission facilities; or 2) the transmission owner controls transmission over an intertie between EIM Entities or between the ISO and an EIM Entity and will facilitate the ability of an EIM Transmission Customer to make the customer's intertie rights available for EIM use or will allow any unsubscribed portion of the EIM Transmission Service Provider's own rights to be available for EIM use.
- **EIM Transmission Service Customer** is a transmission customer (may be a 3rd party separate from the EIM Entity) that has rights to transmission in the EIM Entity balancing authority area over an intertie between EIM Entities or between the ISO and an EIM Entity. Such a customer can voluntarily inform the EIM Entity that it is making its transmission available for EIM use.

In addition, while PacifiCorp supports the ISO's efforts to add clarity to potential ways in which transmission could be made available within an EIM Entity, PacifiCorp requests that the ISO clarify or confirm that the ultimate manner in which transmission rights are made available for EIM within an EIM Entity is to be determined by the EIM Entity in consultation with its stakeholders in the development of the EIM Entity's tariff rules and processes.

E. Market Testing and Reversion Plan

In addition to designing the EIM and developing tariff provisions, there is a parallel need to ensure the EIM undergoes a robust market simulation. The testing program will be designed to help address, to the extent possible, key questions raised by stakeholders regarding implementation details. Furthermore, as part of other EIM development activities, PacifiCorp supports the preparation of a reversion plan. Such a precaution is consistent with what the ISO put in place for MRTU and other regional transmission organizations have put in place for significant enhancements to the market design. In the event of unforeseen market disruptions, PacifiCorp must continue to operate its system and maintain its responsibilities as a BAA. Similarly, the ISO must be able to operate its markets, with or without transfers from an external EIM Entity. Accordingly, a reversion plan should be a feature of the new market.

F. Day-ahead Balanced Schedules

PacifiCorp's understanding is all load serving entities, generator operators and purchasing-selling entities will be submitting their load, resource and interchange forecasts to the ISO by 10 a.m. on the day before delivery. PacifiCorp acknowledges the limitations that preclude the EIM Entity from balancing the schedules, similar to the hour-ahead process. In the hour-ahead process, schedules are submitted by 75 minutes prior to the hour, and then may be updated by 55 minutes prior to the hour. A final update is permitted at 40 minutes prior to the hour, but only by the EIM Entity in order to ensure the schedules are balanced. That said, PacifiCorp requests that the advisories made available to the EIM Entity include the Market Operator's adjustments that balanced the base schedules prior to running the power flow analysis.

III. CONCLUSION

As stated previously, PacifiCorp appreciates the ongoing efforts of the ISO management and staff to develop the EIM in a timely manner and in accordance with the principles in the Implementation Agreement. PacifiCorp will continue to be an active participant in the EIM stakeholder processes and undertake the necessary activities to be able to support startup of the EIM on October 1, 2014.