



March 15, 2013

Chair Robert Foster  
Governor Ashutosh Bhagwat  
Governor Angelina Galiteva  
Governor Richard Maullin  
Governor David Olsen

**RE: Support for Authorization to Proceed on Energy Imbalance Market**

Dear Chair Foster and Governors Bhagwat, Galiteva, Maullin, and Olsen:

The California Wind Energy Association, American Wind Energy Association, Environmental Defense Fund, and Center for Energy Efficiency and Renewable Technologies write to strongly encourage your approval of the CAISO management proposal to launch an Energy Imbalance Market (EIM) when it comes before you during your March 20-21 CAISO Governing Board meeting.

As CAISO staff have explained, the CAISO's EIM, which will begin with the participation of PacifiCorp, will bring reliability and economic benefits to all market participants. These benefits are achieved by providing real-time visibility of available resources across all participating balancing areas, combining geographically diverse loads and resources, and using the least-cost available generation across the combined EIM area to balance markets in real-time. Importantly, this market will facilitate the integration of renewable resources in California and across the West.

Energy Imbalance Markets are a proven tool. An EIM operated by the Southwest Power Pool for the last six years has already produced hundreds of millions of dollars in net benefits for consumers. Studies have shown that an EIM that includes more participants across the western U.S. will yield around \$1.5 billion in net benefits over its first 10 years. An analysis conducted by consulting firm E3 for CAISO and PacifiCorp found that the EIM would provide major net benefits for consumers, with annual benefits of \$21 million to \$129 million, compared to annual costs of only \$2 million to \$5 million, with comparable costs for the initial start-up. FERC also conducted a qualitative analysis of the reliability benefits of an EIM, and found that an EIM could help address many of the problems that have caused blackouts and other reliability events in the past.

To expand the benefits of the EIM, we urge CAISO to incorporate fast interval energy dispatch into EIM operations, which will greatly reduce wind and solar forecast error by minimizing the time interval between when renewable energy forecasts are prepared and real time.

Finally, it is appropriate that the CAISO host the EIM, given its proven track record of operating energy markets. Moreover, an expanded market for CAISO should reduce transaction costs for CAISO's existing and new customers. We therefore encourage the CAISO to make a priority of seeking to expand its EIM to include additional balancing areas and market participants.

Sincerely,



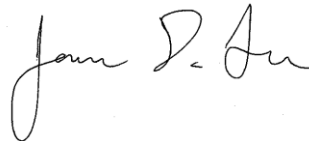
Nancy Rader  
Executive Director  
California Wind Energy Association



V. John White  
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Center for Energy Efficiency and Renewable  
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Robert Gramlich  
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James Fine, Ph.D.  
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cc: Stephen Berberich, President and Chief Executive Officer  
Keith Casey, Vice President, Market and Infrastructure Development  
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David Miller, Consultant to Environmental Defense Fund  
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