



March 19, 2012

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

RE: Energy Imbalance Market Proposal

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

I am writing on behalf of the Large-scale Solar Association (LSA) to convey LSA's support for the February 12, 2013 Energy Imbalance Market Memorandum of Understanding (MOU) between the CAISO and PacifiCorp. The MOU provides for establishment of an inter-Balancing Authority Area (BAA) real-time Energy Imbalance Market (EIM), including a stakeholder process and invitation to other entities this year, a FERC filing around year-end, and testing/implementation by October 2014.

LSA applauds the CAISO's efforts to design and implement market changes to increase efficiency and lower costs. LSA sees promise in the EIM to reduce or eliminate "seams" issues between BAAs, and to increase system flexibility and diversity that should help the CAISO and other BAAs in the West address operating challenges as the resource mix on the grid changes in the future.

LSA's support for this initiative is tempered by several concerns, however.

LSA appreciates the CAISO's March 14th release of an initial analysis of EIM benefits (PacifiCorp-ISO Energy Imbalance Market Benefits). This appears to be a good starting point for a discussion about both the amount and distribution of potential EIM benefits. However, LSA and other stakeholders have had little time to examine the report, or request clarifications or additional information about the assumptions used in the report.

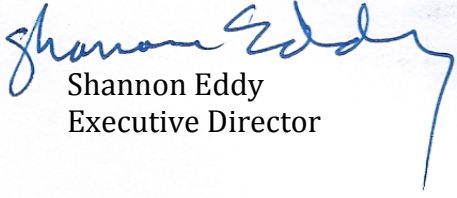
It is also not yet clear how this initiative will interact and be coordinated with other significant CAISO market initiatives scheduled to be developed and implemented over the same time period – e.g., 15-minute scheduling/settlement – that promise direct benefits to existing market participants within the CAISO's current footprint. There could be unintended consequences if the total impact of these initiatives is not well-considered and coordinated.

In addition, LSA wants to ensure that, as the CAISO undertakes major market-design changes such as this that are expected to have a positive net benefits, the changes reflect those benefits. For example, if the changes are supposed to lower "integration costs," then the new structure should not result in new or higher charges for such services. The CAISO should identify parties that might be harmed by those changes and mitigate that harm wherever possible, for example, by grandfathering or otherwise accommodating transactions under existing commercial contractual arrangements.

Finally, the CAISO should actively work with other entities like the CPUC, to ensure that there are no conflicts or inconsistencies with the utility procurement framework or other initiatives.

In summary, in offering general support for the EIM concept and the MOU, LSA hopes to work with the CAISO and with other stakeholders to address the issues described above in a way that helps distribute the net benefits of the new structure in an equitable manner. Thank you in advance for your consideration of LSA's positions on these issues.

Sincerely,



Shannon Eddy
Executive Director