



*A subsidiary of Pinnacle West Capital Corporation*

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Board of Governors  
California Independent System Operator  
PO Box 639014  
Folsom, CA 95763

Ladies and Gentlemen:

Arizona Public Service Company (“APS”) is a wholly-owned subsidiary of Pinnacle West Capital Corporation and is engaged in the business of generating, transmitting, and distributing electricity in Arizona and serves more than one million retail electric customers within the state. In addition, APS participates in the wholesale energy market and often transacts in the California ISO market.

APS appreciates the opportunity to provide comments to the board on the development of an Energy Imbalance Market (“EIM”). We have participated in many stakeholder meetings and provided comments on the market design. In each of the stakeholder meetings ISO staff elicited input to ensure participants had an opportunity to express concerns and offer ideas. They listened and incorporated suggestions into the design. They also held several technical workshops to explain details of the existing market and how it would change with EIM. These workshops were very informative and helped to alleviate many concerns on various aspects of the market.

Development of a functioning market is very complex. Creating an EIM that works for participants in an existing organized market as well as neighboring bi-lateral markets is even more difficult. The staff did an incredible job putting the design together quickly and working with stakeholders to get the market operating in a fair and reasonable manner. Of course, as implementation begins, fine tuning will need to occur. The Governance proposal provides a mechanism to do that and for interested parties to have direct input to the Board, which is extremely important. Having a say in the design and operation of the market is essential for many potential EIM participants.

APS supports the approval of the EIM design and Governance proposal. We believe it will be an enhancement to the market and could provide benefits to retail customers through more efficient use of resources and lower costs. APS needs to validate those benefits and as a result has not yet made a determination to join. APS continues to conduct due diligence to ensure customers will realize benefits and that there are no misunderstood costs or unintended consequences.

APS appreciates the opportunity to submit these comments and thanks the CAISO Board for its consideration thereof.

Sincerely,

*Justin Thompson*

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Director of Business Support, Resource Management