

Stakeholder Comments

**Energy Imbalance Market
Tariff Framework**

| Submitted by | Company | Date Submitted |
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The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide its comments to the California Independent System Operator Corporation's (CAISO) September 10, 2013 Energy Imbalance Market (EIM) Tariff Framework.

In general, SMUD believes the CAISO is heading in the right direction, but has identified a few items of concern for which it has provided comments below. SMUD reserves its rights to comment on issues as this stakeholder process progresses and tariff language is further developed.

Governance

SMUD observes that the Tariff Framework does not include information on EIM Governance. While SMUD recognizes that the CAISO Tariff may not be the best place to include Governance provisions with respect to EIM, we request the CAISO clarify where it intends to place the charter and rules for Governance, if not in the tariff.

Tariff Construction

- Applicability of Sections

The presumption is that applicable sections of the CAISO Tariff apply to EIM activities (see Section 3.2 of the Tariff Framework), Since Section 29 is a part of the overall CAISO Tariff, and not a stand-alone tariff, SMUD does not see a need for Section 29 to specifically reference other sections that apply. For instance, Section 29.13 of the Tariff Framework references dispute resolution in Section 13. If the presumption is that Section 13 applies, it seems unnecessary, and may cause confusion, to specifically reference Section 13.

As an alternative, SMUD suggests the rule of construct should be that unless stated otherwise, all sections of the CAISO Tariff apply. Accordingly, if another section *does not* apply, Section 29

would expressly state this. See Section 29.4.5 as an example (referencing that an EIM Entity Scheduling Coordinator is not required to enter a into a Scheduling Coordinator Agreement under Section 4.5.1.1.11).

- Order of Precedence

In the event of conflict or inconsistency between a provision in Section 29 (EIM provisions) and the remainder of the CAISO Tariff, SMUD requests the CAISO include a provision that addresses order of precedence. More specifically, SMUD proposes that, should a conflict arise between Section 29 and another section of the CAISO Tariff, Section 29 should control for EIM activities.

Under-scheduling Charges

Section 29.11.7 is unclear as to when an under-scheduling charge applies. While the first part of Section 29.11.7 on page 23 states when the charge applies, it is not tied to the threshold assessment on page 24. We request the CAISO clarify that the application of the 5%¹ threshold only applies when an EIM Entity uses its own load forecast.

In addition, the Tariff Framework does not include the actual under-scheduling charges – beginning at 125% of the aggregate LMPs for under-scheduling deviations of more than 5% (and, as suggested in the 3rd Revised Straw Proposal, possibly a tiered structure between 5-10%) and increasing to 200% for under-scheduled deviations exceeding 10%. The actual charges should be specified in the CAISO Tariff.

Application of Penalties

Equally important to including the actual penalties/charges in the CAISO Tariff is to also include how any penalty/charge is applied. It is critical that the CAISO Tariff language explain the application of an EIM penalty/charge.

¹ Please note that both a 4% and 5% threshold is included on page 24. The 3rd Revised Straw Proposal places the threshold at greater than 5%.