

**Comments of Silicon Valley Power  
CAISO Energy Imbalance Market Year 1 Enhancements Phase 2  
September 8, 2015 Draft Final Proposal**

**September 22, 2015**

The City of Santa Clara, California, doing business as Silicon Valley Power (SVP), appreciates the opportunity to provide the following comments on the CAISO's September 8, 2015 Energy Imbalance Market (EIM) Year 1 Enhancements Phase 2 Draft Final Proposal. SVP is generally supportive of the CAISO's decision to limit the scope of issues it intends to take before the Board at the November 5-6, 2015 meeting. SVP offers comments regarding the CAISO's proposed analysis of alternative transmission rate designs.

The Issue Paper/Straw Proposal identified four alternative potential transmission service rates for EIM transmission use: (1) reciprocity in use of transmission made available by rights-holder in EIM entities; (2) EIM Transmission Access Charge; (3) transfer charge as a minimum shadow price; and (4) Transmission Access Charge applicable to load and wheeling. Issue Paper/Straw Proposal at 6-7. In the Draft Final Proposal, the CAISO states it will continue to monitor this issue to determine if an additional stakeholder initiative is needed. Draft Final Proposal at 4. The Draft Final Proposal describes two types of data on transmission usage within the EIM area during the initial year of EIM operations, which at a minimum, the CAISO will consider in comparing the alternative transmission rate designs: (1) comparing transmission usage between market processes (*i.e.*, the day-ahead market, hour-ahead scheduling process, and real-time market); and (2) comparing the volume of forward scheduling over time.

Because the CAISO states that the history is insufficient at this time to compare the transmission usage of EIM participants under the transmission rate alternatives, the CAISO compared the volume of forward market scheduling in the initial months of EIM operation compared to the previous year. The CAISO observed that that the level of day-ahead scheduling has been about the same pre-EIM and post-EIM. Thus, the CAISO states that there is no appearance so far that EIM's implementation has reduced forward scheduling, and the CAISO does not recommend changes to the transmission rate structure at this time. *Id.* at 10.

SVP questions the value of solely focusing on the amount of forward scheduling in pre- and post-EIM periods to determine if a charge should apply for transmission usage for the EIM. Reviewing forward schedules does not reveal the amount of transmission facility usage for the EIM, and does not indicate if EIM participants should pay a fair share of the costs of transmission facilities. Because they involve different time frames, there could be significant EIM usage of transmission without a significant adjustment in forward scheduling. As the CAISO continues to evaluate this issue, SVP suggests the CAISO evaluate how each of the alternative transmission rate options might compensate the entities that currently pay for transmission used to support EIM transactions, and how each transmission rate option might affect EIM participation. Only by comparing the costs and benefits of each of the options might the CAISO be able to develop an equitable EIM transmission cost allocation methodology.