

COMMENTS OF THE
TRANSMISSION AGENCY OF NORTHERN CALIFORNIA
ON THE ISO'S ENERGY IMBALANCE MARKET STRAW PROPOSAL AND ISSUE PAPER

April 19, 2013

Pursuant to the California Independent System Operator's ("ISO") April 5, 2013 Market Notice, the Transmission Agency of Northern California ("TANC") submits the following comments on the ISO's April 4, 2013 Energy Imbalance Market ("EIM") Design Straw Proposal and Issue Paper ("Proposal"), which was discussed during the ISO's April 11, 2013 stakeholder meeting.

TANC Comment on Path Operator Performance Responsibilities

On March 15, 2013, in response to the ISO's announcement of a Memorandum of Understanding ("MOU") between the ISO and PacifiCorp to begin development of an EIM, TANC submitted a letter to the ISO regarding the ISO's responsibilities to its contractual role as the Path Operator for the California-Oregon Intertie ("COI") pursuant to agreements to which TANC and PacifiCorp are among the Parties. These agreements govern the coordinated operations of the Pacific AC Intertie ("PACI") and the California-Oregon Transmission Project ("COTP"). In particular, under the California-Oregon Intertie Path Operating Agreement ("COI-POA"), the ISO is contracted to be the Path Operator and is obliged to conduct its operation of the COI in accordance with its terms.

In that letter, TANC asserted that to conduct itself in accordance with the spirit of the COI-POA, the ISO-PacifiCorp EIM proposal should be vetted with the other Parties to the COI-POA in advance of any formalization of any such proposal. TANC also stated that until there is some clarity regarding how the Proposal would be implemented, TANC cannot know whether the Proposal has the potential to negatively impact the COI and the transmission facilities of non-EIM participants, and thus seeks such information. Most importantly, TANC further requested, consistent with the intent of the COI-POA, that the ISO develop its associated operating procedures to ensure that any adverse impacts occur only on the ISO controlled grid and coordinate with the parties to the Owners Coordinated Operation Agreement to obtain that outcome. In the event that adverse impacts are unavoidable, mitigation or compensation arrangements will be required.

In its March 25, 2013 response to TANC, the CAISO indicated that it shared TANC's interest in ensuring that the implementation of an energy imbalance market did not negatively impact the transmission facilities of non-participants, particularly those that comprise the COI. The CAISO also indicated that it will work with TANC and the other COI owners to consider what, if any, operating procedures or revisions may be appropriate to implement the energy imbalance market.

TANC Comment on the Straw Proposal

In the April 4, 2013 Straw Proposal, the ISO indicated that the PacifiCorp EIM implementation would occur "in parallel with" the ISO's stakeholder process (Straw Proposal at 1). The ISO

should provide adequate information and opportunity to review details pertaining to the ISO-PacifiCorp EIM implementation that will allow the Owners to assess the impacts of the ISO-PacifiCorp EIM effort on the operation of the combined three-line system. Indeed, any new procedure or change to the existing operating procedures requested by the Path Operator for COI would need to be brought before the Engineering and Operations Committee as set forth in the Owners Coordinated Operation Agreement, as referenced in TANC's March 15, 2013 Letter. The ISO process should incorporate additional time and certainty for obtaining such approvals.

Consistent with its comments provided in its March 14, 2013 letter, TANC requests the ISO confirm that non-participating transmission systems (e.g. the COTP) will not be adversely impacted or that the ISO will enter into a mitigation agreement to resolve all impacts with adversely affected Parties to the COI-POA. To assure that the adopted Proposal performs as anticipated, TANC requests the ISO to conduct appropriate studies and testing of the EIM before the EIM go-live to ensure that no adverse impacts occur on non-participating transmission systems or that the mitigation measures or compensation perform as anticipated to resolve impacts. Such studies should be coordinated with all transmission owners and operators that might be affected by the implementation of the EIM.

TANC also seeks further details regarding:

1. The expectation incorporated into the ISO's proposal that its real-time market processes will enforce network constraints in "any external transmission corridor where CAISO or the EIM Entity have contractual rights." (Straw Proposal at 31);
2. Whether the ISO proposes to control EIM Entity transmission used for EIM schedules during the real-time process and how that control will be coordinated with the EIM Entity and other affected entities;
3. How the COI may be de-rated due to the magnitude of dynamic schedules and how contractual rights of other COI participants will not be adversely affected; and
4. The ISO's proposal to negotiate:
 - a. Coordination agreements with external resources, which may participate in the EIM as dynamic transfers, and for which information will be included in the ISO's network model (*Id.* at 34-35); and
 - b. Third party agreements, including modification of existing agreements, to implement the approved terms and conditions of the EIM (*Id.* at 43).

TANC looks forward to a robust process whereby these contractual and implementation issues will be fully vetted. TANC anticipates that the contractual matters discussed herein will be developed in parallel with, but separate from the stakeholder process.