



**WESTERN RESOURCE**  
ADVOCATES

Memorandum

To: CAISO Policy Initiative Stakeholder Process Team  
From: Gary Graham, Lands Program Director  
Nancy Kelly, Senior Policy Advisor  
Date: June 14, 2013  
Subject: Settlement of Transmission Service

Western Resource Advocates (WRA) is an environmental organization dedicated to protecting the land, air and water of the Interior West. Meeting the emissions reductions identified by science as necessary to protect public health and avert climate disaster is central to our mission, and integrating higher levels of renewable energy reliably and economically is an essential component of an overall strategy to reduce greenhouse and other noxious emissions.

WRA supports the development of a single west-wide energy imbalance market to cost-effectively integrate intermittent renewable energy, efficiently use existing transmission capacity, and enhance operating reliability. In order to further the goal of a single west-wide market, we support a market design that effectively hedges the costs of participating in the market and is responsive to and workable for entities across the interconnection. We appreciate the ISO providing the opportunity to participate in the development of the EIM and we look forward to working with the ISO and other stakeholders in considering its governance.

Our purpose in this brief memo is to express our preliminary support for the no-charge approach to the settlement of transmission service. We agree that revenues from EIM transfers across the EIM footprint are unnecessary to recover transmission costs, since transmission rates were developed without the expectation an energy imbalance market. We also agree that developing a transmission cost recovery mechanism without solid operational data could deteriorate the expected benefits. For these reasons, we suggest that the no-charge approach to the settlement of transmission service be considered a “permanent structure based on reciprocity” and not just a one-year transitional mechanism. If treated as transitional, we support a significantly longer transition than one year to allow for the full development of the market and sufficient operational data on which to base an alternative transmission recovery mechanism before considering alternatives that may undermine the expected efficient dispatch benefits.