



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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November 6, 2013

Robert Foster

Chairman, CAISO Board of Governors

P.O. Box 639014

Folsom, CA 95763-9014

RE: Energy Imbalance Market

Dear Chairman Foster:

The California Municipal Utilities Association (CMUA) recognizes the grid operation challenges facing the CAISO with respect to renewable resource integration. However, when examining market options to facilitate this integration, the needs of California consumers must be foremost. CMUA is hopeful that tangible benefits result from EIM implementation. However, current benefit projections seem speculative. Therefore, at a minimum, protections should be put in place to ensure that if the best intentions of the market design are not realized, California consumers are not left footing the bill.

The EIM initiative has proceeded at a considerable pace, with the core market design effort completed in roughly eight months. The EIM has many unique features and risks, including among others: (1) proxy GHG values in lieu of comprehensive application of cap-and-trade requirements; (2) very limited transmission over which the optimization will occur; (3) the lack of symmetrical Resource Adequacy requirements; and (4) the potential for increased Real Time uplifts that may be shared, in part, by California consumers. CMUA applauds the hard work and creativity of the CAISO Staff as it has reshaped proposals to address various concerns. Nevertheless, it cannot be denied that the EIM is a new and untested market mechanism.

For this reason, CMUA supports the arguments and proposals of Southern California Edison (SCE) as expressed to the Board by letter last week. In particular, CMUA urges the CAISO Board to adopt the EIM Circuit Breaker proposed by SCE.

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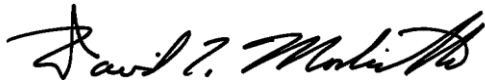
Modesto Irrigation District

Robert Foster
Chairman, CAISO Board of Governors
November 6, 2013
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This is a reasonable and minimum level of protection that must be afforded California consumers if the Board determines to embark on the EIM market design.

CMUA appreciates the opportunity to provide its views to the CAISO Board on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Modisette". The signature is fluid and cursive, with a large initial "D" and "M".

David L. Modisette
Executive Director

cc: CAISO Board of Governors