

Slide 1



Energy Imbalance Market in the West

CAISO and PacifiCorp

Item No's: E-4, E-5

June 19, 2014

Good morning, Acting Chairman and Commissioners,

Besides those sitting with me at the, I would like to recognize—if those present could please stand—the rest of the team that worked on the EIM Tariff filings: Laura Switzer, Saeed Farrokhpay, Monica Taba, Maury Kruth, Leslie Kerr, Brian Bak, Bahaa Seireg, Thanh Luong, and Brandon Wozniak. The team represents the Office of Energy Market Regulation, the Office of the General Counsel, the Office of Energy Policy and Innovation, the Office of Enforcement, and the Office of Electric Reliability.

Overview

- Entities outside CAISO may sign service agreements with CAISO that allow them to use CAISO's real-time market to satisfy their imbalance energy obligations.
- The EIM will allow market participants in neighboring BAAs to purchase and sell five-minute real-time energy for meeting energy imbalance needs.

E-4 is a draft order conditionally accepting proposed revisions to the California Independent System Operator Corporation's, or CAISO's, tariff to provide market participants in other balancing authority areas the opportunity to participate in the real-time market for imbalance energy that CAISO currently operates in its own balancing authority area. Entities outside CAISO may sign service agreements with CAISO that allow them to use CAISO's real-time market to satisfy their imbalance energy obligations.



Overview

- Participation in the EIM is voluntary and there is no exit fee for leaving the market.
- CAISO will not assume operational control over the transmission facilities.
- There are no proposed changes to the current NERC-registered reliability functions for CAISO or EIM Entities such as PacifiCorp.

Participation in the EIM is voluntary and there is no exit fee for leaving the market. As proposed, CAISO would not assume operational control over the transmission facilities. Moreover, CAISO and any EIM entities such as PacifiCorp will each retain their current NERC-registered reliability functions.

The draft order largely accepts CAISO's proposed tariff revisions, but requires certain modifications to the proposal. For example, the draft order rejects CAISO's proposal to vest its Board of Governors with discretion as to whether market power mitigation at the interties is implemented in the future. The draft order finds that real-time local market power mitigation on EIM interties affects clearing prices in the EIM, and whether or not such mitigation is implemented should be subject to Commission review and approval. The draft order also directs CAISO to make informational filings regarding the presence of structural market power in PacifiCorp BAAs due to intertie transmission limits.

In addition, while the draft order accepts CAISO's proposal to permit each EIM participating resource to include a separate bid component to cover California's greenhouse gas, or GHG, regulation costs, the draft order directs CAISO to submit a future compliance filing. The draft order would require CAISO to include a cost-based GHG bid adder and a specific mechanism, or flag, that would allow participating EIM resources to preclude themselves from being dispatched to serve imbalances in the CAISO balancing area.

I now turn the presentation over to Bethany Dukes who will discuss E-5.

PacifiCorp

- PacifiCorp operates two BAAs, PacifiCorp East and PacifiCorp West. As proposed, both would be the initial participants in the EIM.
- Expected go-live date of October 2014.



The map displays the Western United States, including British Columbia, Alberta, Washington, Oregon, Nevada, California, Idaho, Utah, Arizona, New Mexico, Montana, Wyoming, Colorado, Kansas, Oklahoma, Texas, North Dakota, South Dakota, Nebraska, and Missouri. A legend in the top right corner identifies three regions: California ISO (yellow), PacifiCorp (orange), and Western Electricity Coordinating Council (green). The PacifiCorp region covers parts of Washington, Oregon, Nevada, Idaho, Utah, and Arizona.

E-5 is a draft order conditionally accepting in part and rejecting in part proposed tariff revisions filed by PacifiCorp in order for PacifiCorp to participate in the EIM being created by CAISO. PacifiCorp's proposed tariff revisions are intended to work in parallel with the tariff revisions proposed by CAISO, and conditionally accepted by the draft order in item E-4, which will provide neighboring balancing authority areas the opportunity to participate in the imbalance energy portion of CAISO's locational marginal price-based real-time market alongside participants from within CAISO's balancing authority area. PacifiCorp operates two BAAs, PacifiCorp East and PacifiCorp West. As proposed, both would be the initial participants in the EIM.

The proposed tariff amendments filed by PacifiCorp on March 25, 2014 include a new Attachment T, which covers the roles and responsibilities of customers and PacifiCorp under the EIM, and revisions to Schedule 1 to allocate EIM-related administrative costs charged by CAISO. The draft order accepts the proposed tariff amendments, in part, subject to conditions, and rejects certain components of the proposal.

Under PacifiCorp's proposal, PacifiCorp's transmission customers can elect to bid into the EIM or continue to serve their load as they do today, either through self-supply of generation or bilateral energy purchases. While transmission and generator interconnection customers who do not participate in the EIM will continue to take service under Schedules 4 and 9 of PacifiCorp's tariff, PacifiCorp proposes to use the locational marginal prices resulting from the EIM to settle Schedule 4 and 9 imbalances for those customers. The draft order accepts this proposed pricing structure as just and reasonable, and an accurate reflection of PacifiCorp's costs of providing imbalance service.

The draft order also conditionally accepts PacifiCorp's proposal to facilitate EIM transfers between its balancing authority areas and CAISO via firm transmission rights voluntarily

offered by transmission customers, but rejects PacifiCorp's proposal to include the requirements for scheduling and using these transmission rights in a business practice manual. The draft order finds that PacifiCorp's plan to utilize firm transmission rights voluntarily offered by its marketing division (and transmission customer) does not appear to violate the pro forma open access transmission tariff. However, the draft order finds that the details of the voluntary transfer and any such future transactions affect the rates, terms, and conditions of Commission-jurisdictional service and must therefore be included in the filed tariff.

Finally, the draft order rejects PacifiCorp's proposal to require that generating resources that are internal to PacifiCorp's balancing authority areas must secure transmission service from PacifiCorp, in excess of any transmission service that they already reserve as a PacifiCorp transmission customer, to participate in the EIM. The draft order finds that this proposal would result in a double-charge to load located in PacifiCorp, and is in conflict with the proposal by CAISO to use reciprocal transmission rates for the EIM.

CAISO and PacifiCorp propose to commence operation of the EIM on October 1, 2014.

This concludes our presentation. We are happy to answer any questions you may have.