

Arizona Public Service (“APS”) appreciates the California Independent System Operator’s (“CAISO”) travel to Phoenix for the 2nd Revised Proposal – Energy Imbalance Market (“EIM”) Stakeholder meeting. APS recognizes the significant revisions that the CAISO has made to its previous proposal and applauds the CAISO for reaching out to stakeholders on a series of topics.

APS offers up the following comments to the 2nd Revised Straw Proposal:

Responses to CAISO Questions:

CAISO posed the following questions to Stakeholders:

- Should base schedules be submitted hourly vs. every 15-minutes?

It is APS’ understanding that settlements will be based on deviations from base schedules. Should 15-minute scheduling become a reality in the southwest as a result of FERC Order 764-related business practice changes, APS would like to keep the opportunity to provide updated base schedules every 15-minutes.

- Should the CAISO be able to commit units for an EIM Entity or not?

Unit commitment seems to be outside the scope of a 5-minute security constrained economic dispatch program’s scope. CAISO has clarified several times over that the EIM will not have balancing responsibilities beyond the ISO boundaries. APS sees adding the scope of unit commitment as unnecessary and unrelated to the original concept of an EIM.

- Adjusted Base Schedule

APS supports the removal the minimum shift optimization to establish adjusted base schedules in substitution of the real-time congestion balancing account per BAA, flexible ramp constraint requirement, and the under-scheduling penalties changes proposed in the 2nd revised proposal.

- Additional educational opportunities

APS noticed a significant difference in communication levels between those stakeholders that are currently CAISO members verses those that are not and therefore really appreciates the additional webex education opportunities that the CAISO offered.

APS supports the suggestion made during the stakeholder meeting to review congestion accounting. APS would also like to have a separate webex related to settlements: specifically addressing fees and charges unrelated to energy, such as uplift fees, neutrality charges, and other fees non-ISO participants may not have intimate knowledge thereof. APS would also like to see distinction of how intermittent resources will be settled verses other resources. Additionally, APS requests a separate webinar related to derate mechanics.

Clarifications:

- Scheduling Coordinators

APS seeks to clarify that an EIM Entity Scheduling Coordinator can be the same person/entity as an EIM Participating Resource Scheduling Coordinator. Similarly, APS would like to clarify that an EIM Entity Scheduling Coordinator can be the same person/entity as the California ISO Day Ahead and/or Hour Ahead Scheduling Coordinator.

- EIM Entity Definition

The current EIM definition implies that an EIM Entity must have load and generation obligations. APS requests that the definition be revised to explicitly state the intention.

- Variable Energy Resource forecasts

APS requests clarification related to the pros and cons of using the CAISO's VER forecasts vs. EIM entity-supplied forecasts.

Recommended Revision

APS recommends that EIM Entities be allowed to set their own carbon price instead of being required to use an ISO-indexed price. This would allow for EIM Entities to make carbon price adder adjustments based on actual forward procured carbon allowance prices as opposed to an index.