



California ISO EIM Transitional Committee (via EIM@caiso.com)

January 26, 2015

To whom it may concern:

Avista Corporation (Avista) appreciates the opportunity to comment on the *California ISO EIM Transitional Committee Issue Paper, Conceptual Models for Governing the Energy Imbalance Market*, dated January 5, 2015.

Avista is a regional Investor Owned Utility predominantly serving eastern Washington State and North Idaho. After 125 years of operation, Avista's 1500 employees currently bring natural gas and electric service to over 650,000 customers with one of the cleanest generation portfolios in the country. Avista has been engaged in the wholesale energy and transmission markets for many decades. Avista is a founding member of the Northwest Power Pool's Market Assessment and Coordination Committee ("NWPP MC") and has been deeply engaged in assessing the value of an EIM for the Northwest and the customers we serve.

Avista appreciates the willingness of the CAISO to evaluate different EIM governance structures through an open transparent process. Avista believes the Transitional Committee should pursue a structure where the EIM governing body is a completely separate entity from the CAISO Board of Directors. The governing body should have the responsibility to represent the interests of all Balancing Authority Areas ("BAAs") that participate in the EIM. While Avista recognizes the value proposition created by the current EIM for the CAISO and the California retail customers it serves, the EIM governance body must be responsible to the EIM, the BAAs that utilize it, and all of the retail customers being served by this market, without a preference for the customers of one state over another. This governing body will be making decisions that affect the costs and benefits for all participating BAAs/EIM entities when implementing the market, guiding its evolution, and managing seams with other markets. Other potential EIM entities such as Avista may have very different policy preferences than the state of California (as represented by the CAISO Board of Governors) and the EIM governance structure must balance all such interests.

In response to the request for specific feedback, and in considering the criteria identified in the January 5th, 2015 white paper, Avista offers the following suggestions related to the identified criteria:

- "Protect the integrity and reliability of current ISO operations" should be expanded to include protect the integrity and reliability of the ISO and its partner EIM entities/BAAs.
- "Provide decision makers and stakeholders confidence that the EIM governing body is pursuing the best interest of the market as a whole" should be changed to EIM market.
- Given the potential for disparate policy preferences in different states and within potential EIM entities, the EIM Governance structure may well have to consider future EIM offerings that differ in different areas of the Western Interconnection.

Additionally, in response to the Transitional Committee's questions to consider regarding the three models proposed, Avista views an advisory board to the CAISO Board of Governors as an inadequate governance structure for the EIM. An advisory board does not have authority and does not address the concern about the CAISO Board's current lack of independence from the state of California. When considering the potential structure, Avista agrees that cost control is necessary and that an autonomous separate entity could create additional cost risks as described; however, further exploration of ways to manage cost risk and create a separate EIM governance body is worthy of time and effort with the stakeholder community. Another element common to each model is the Organization of state regulators, which may create preference towards the needs of jurisdictional utilities. An EIM advisory body needs to be created in a balanced way to represent all interests including those of non-jurisdictional utilities. Finally, there are potential timing synergies between the CAISO's EIM governance effort and other regional efforts around EIM development. To the extent that the CAISO could accelerate this process, Avista encourages the CAISO to produce the straw proposal earlier than August 2015.

Again, Avista appreciates the opportunity to comment on Transition Committees proposed EIM governance structures. If you have any questions regarding these comments, please contact Scott Kinney at 509-495-4494. Please add the following individuals to your distribution lists for this stakeholder process:

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Thank you again for this opportunity to comment and I look forward to reviewing the eventual straw proposal in August.

Sincerely,

Scott Kinney

Scott Kinney
Director of Power Supply
Avista Utilities

