

## Deseret Power Electric Cooperative Comments on Proposed Transition Period Proposal

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Deseret is a transmission service customer of PacifiCorp. PacifiCorp, in its PacifiCorp East (“PACE”) balancing authority area (“BAA”), serves as the host balancing authority (“BA”) for Deseret’s transmission system and for the 458-MW generating unit (non-participating) which, as the majority owner, Deseret operates. Deseret serves load through requirements contracts and makes third party sales within PACE. Deseret offers the following comments on the CAISO’s draft final EIM Transition Period Proposal dated December 15, 2014.

1. The stakeholder process for the CAISO EIM Transition Period Proposal (“Proposal”) is unnecessarily rushed, provides little opportunity for an engaged discussion with Stakeholders and should be extended. The scant 16 day period provided in the Proposal for stakeholder interaction stifles conversation on this important issue and leaves stakeholders to wonder why the urgency when there is no impending reliability concern and a 90-day waiver is in place to address the commercial concern. Deseret realizes the existing waiver is limited in term and the urging by FERC for the CAISO to address through tariff revisions in advance of the waiver order expiration any further changes needed to deal with PacifiCorp EIM Entity identified issues. Deseret encourages the CAISO to bifurcate the Proposal addressing any further anticipated PacifiCorp EIM Entity issues through an expedited process and address the larger issue of the need and process for a transition period for future EIM Entities through an open and collaborative process.
2. Deseret supports the concept of a transition period for new EIM Entities to provide time for EIM Entities to mature operationally and functionally and to allow certification of an adequate level of participating resources to assure a

sufficiently deep market. Whether twelve months, as proposed, is sufficiently long or too long a transition period remains to be understood. Recognizing the need for certainty in an end date in any Proposal, Deseret could support a Proposal with a twelve month term provided certain provisions are adjusted and a process for early termination were included. The bid cap structure included in the proposal merely reduces the unwarranted financial penalties a Transmission Customer is exposed to that result from market transitional and other conditions rather than the actual physical and market conditions of the system. This approach is akin to treating the symptoms instead of the disease. Transmission Customers should be shielded from unwarranted financial penalties during the transition period rather than merely having unwarranted financial penalties reduced.

Provisions for early termination of a transition period should be an integral part of any Proposal. Early termination topics should be clearly defined, visible and included in transition period reporting to the market and regulators. A transition plan should be developed and made public prior to initial operation of a new EIM. Transition plan elements should include targets for participating resources capacity available to the market operator comparable to resources held by the BA prior to EIM implementation, milestones for demonstration of operational practices, communication and other processes between the EIM Entity and CAISO that are essential to successful market operation and a public process for tracking and reporting transition period activities leading to early termination of a transition period.

3. The bid cap structure in the Proposal should either be eliminated, leaving pricing to be based on the marginal economic bid as provided in the waiver or an alternate “proxy price” based upon a liquid market index such as the PacifiCorp Schedule 4 pricing index in place prior to October 2014. Some form of protection for Transmission Customers should be considered during a transition period for EIM Entities with import/export external intertie scheduling points. The bid cap

concept in the Proposal applied at intertie scheduling points with adjustments to the pricing levels or subjecting intertie scheduling point bids to market monitoring may provide the appropriate pricing protection for Transmission Customers.

During the transition period, there was never an actual shortage of capacity available in PACE to meet EI requirement, including those associated with unit outages. The pricing issues were created by contrived/artificial shortages related to data and communication related issues, not actual shortages of capacity.