

**California Energy Commission**

1516 Ninth Street
Sacramento, California 95814
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**California Public Utilities Commission**

505 Van Ness Avenue
San Francisco, California 94102
Main website: www.cpuc.ca.gov

November 4, 2013

Board of Governors
California Independent System Operator
P.O. Box 639014
Folsom, CA 95763-9014

Dear Board of Governors,

We are pleased with the prospect of an Energy Imbalance Market (EIM) involving the California Independent System Operator (ISO) and PacifiCorp. The cost savings, renewable integration benefits, and improved reliability are compelling and offer the prospect of even greater benefits if other balancing authorities follow PacifiCorp's lead.

Since then, the ISO's EIM market design has evolved through a rigorous and thoughtful stakeholder process. Complex issues related to resource sufficiency testing, the California greenhouse gas cap and trade program, and settlement structures have been discussed and vetted through multiple stakeholder meetings, workshops and webinars. Importantly, the design allows other balancing authorities to join this voluntary market through a regular, orderly process.

While still undergoing work through a stakeholder process, the EIM governance proposal reflects thoughtful attention to providing a broad range of input on an independent EIM structure. The formation of a Transitional Committee to serve as an advisory committee to the ISO Board will provide a public forum for recommendations and the appropriate legal analysis that will continue to support the success of EIM and further interest in the market that benefits from additional geographically diverse resources.

We support approval of the EIM proposal that is before the Board on November 7th and look forward to seeing related tariff language approved by the Federal Energy Regulatory Commission and the design successfully tested under market simulations. The overall success of this effort is critical in order to realize untapped reliability, renewable integration, and cost reduction benefits for the entire region.

Sincerely,

Handwritten signature of Robert B. Weisenmiller in black ink.

Robert B. Weisenmiller
Chair
California Energy Commission

Handwritten signature of Michael R. Peevey in black ink.

Michael R. Peevey
President
California Public Utilities Commission

cc: Stephen Berberich, President and Chief Executive Officer, California Independent Systems Operator
Rob Oglesby, Executive Director, California Energy Commission
Paul Clanon, Executive Director, California Public Utilities Commission
Ed Randolph, Energy Division Director, California Public Utilities Commission
Commissioners, California Energy Commission
Commissioners, California Public Utilities Commission