

***Energy Imbalance Market Year 1 Enhancements  
Draft Final Proposal Dated February 11, 2015***

**Comments of the  
Transmission Agency of Northern California  
On  
CAISO Proposed Phase 1 Enhancements**

The Transmission Agency of Northern California (TANC) appreciates the opportunity to provide comments on the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM) Year 1 Enhancements Draft Final Proposal dated February 11, 2015. TANC has been following the CAISO's EIM process since it was proposed and has previously filed multiple set of the comments with the CAISO during the EIM Policy development process. TANC has also filed comments with and intervened in the Federal Energy Regulatory Commission (FERC) EIM tariff development process. TANC's specific interest in the CAISO's EIM relates to the CAISO's contractual obligations in its role as California Oregon Intertie (COI) Path Operator, and more specifically, the potential for EIM transfers to negatively impact non-EIM participants' transmission rights and facilities. TANC continues to monitor the implementation of the EIM and the stakeholder processes in an effort to protect TANC and TANC Member rights so that the CAISO's implementation of the EIM does not negatively impact California-Oregon Transmission Project (COTP) schedules and operations or lead to increased costs on TANC and TANC's Members.

Previous comments filed by TANC in the CAISO EIM Policy development process addressed: (1) the need to require the CAISO to abide by its obligations to interconnected transmission systems, particularly those to which it has existing contractual obligations to ensure reliable coordinated operations; (2) the need to ensure that the EIM will not adversely impact non-EIM participants' transmission assets that are integrated with the facilities under the CAISO's operational control and PacifiCorp's transmission system, or, in the event the EIM does adversely impact non-EIM transmission assets, to require the CAISO to enter into mitigation agreements; and (3) legitimately raised concerns that the preferential transmission rate treatment afforded to EIM transfers may create incentives to change scheduling behavior in a manner that negatively impacts non-EIM transmission facilities. TANC looks forward to Phase 2 of Year 1 Enhancements where the CAISO will address the lack of a transmission charge.

TANC has also been monitoring the Year 1 Enhancements process with particular focus on the proposal to use the full intertie scheduling (i.e. Available Transfer Capability or "ATC") to establish EIM transfer limits when NV Energy joins the EIM in October 2015. This proposal differs from the EIM's current operation, which relies on the PacifiCorp Interchange Rights Holder mechanism whereby an existing transmission customer allows its firm intertie rights to be used for EIM transfers (without charge or compensation). TANC has concerns that the new proposal will have the opportunity to increase the amount of unscheduled or loop flow within the WECC, especially considering NV Energy's participation will significantly increase the transfer capability of the EIM. Additionally, TANC has concerns that the CAISO's approach for modifications of the EIM transfer limit constraints could also result in incremental loop flow.

TANC requests additional information and explanation so that we can further understand how the CAISO intends to track, manage and mitigate for increased loop flow effects on the COI, including Bonneville Power Administration operated facilities at the California-Oregon border, the COTP and the Pacific Alternating Current Intertie (PACI), as the EIM continues to expand. TANC requests that the CAISO explicitly explain how the use of the EIM transfer cost approach will not result in an increase in unscheduled flows.