

CAISO EIM Transition Period Proposal

Comments of Xcel Energy

December 30, 2015

Xcel Energy appreciates the opportunity to comment on CAISO Energy Imbalance Market Transition Period Proposal. Xcel would like to thank CAISO for communicating proposed transitional period enhancements to stakeholders and accepting comments.

Xcel Energy has a general concern with the imposition of administrative price caps, but recognizes they may be warranted to some extent during an EIM entities transitional period. It is our position that operational experience and business process improvements would ideally be realized through the parallel operations period rather than the twelve month graduated bid cap increase.

Based on our experience with other markets in which we participate, it is our opinion that the twelve month duration of the bid cap is longer than necessary to familiarize new EIM entrants to EIM operations and should be reduced. To the extent communication and training issues have been the source of the need for administrative price mitigation (as indicated in prior CAISO public presentations) we believe they should be addressed with new participants as part of the startup preparations rather than after-the-fact.

Further, if the issues causing price excursions are due to seams coordination impacts, we believe the CAISO should begin a parallel track of initiatives in order to address market design with seams counterparties. These efforts may mitigate the need for administrative price caps on future footprint expansion. Examples of possible seams-related design issues may possibly include items such as rate-of-change impacts on price due to insufficient dynamic transfer capability or market congestion contributions from external sources of parallel flow.

We believe that the CAISO should continue its current practice maintaining the “no must offer” obligation as this practice mitigates the bid cap issue.

Additionally, as this proposed transition period will be initiated with the addition of each new entrant, the different treatment in areas of the EIM footprint may create market price distortions and we are concerned about the potential for market price distortion issues internal to the EIM.