

California Department of Water Resources - State Water Project Comments on Energy Imbalance Market (EIM) Design Straw Proposal and Issue Paper

April 19, 2013

On April 11, 2013, the CAISO held an Energy Imbalance Market (EIM) Stakeholder Meeting to present and review the EIM initiative outlined in CAISO's EIM Design Straw Proposal and Issue Paper, dated April 4, 2013.

According to the EIM proposal, CAISO would manage real-time energy imbalances in neighboring balancing authorities (BAs) by replacing the manual real-time dispatching currently performed by the BA (to balance supply and demand) with least-cost 5-min EIM automatic dispatches by the CAISO. The proposal offers a scalable and affordable way for neighboring BAs to utilize CAISO's energy balancing service. An EIM would benefit both existing CAISO participants and new EIM participants by (1) enhancing reliability across the CAISO and BA footprints and (2) captures the benefits of having greater geographical diversity among loads and resources.

While DWR recognizes the reliability benefits that the EIM may bring, DWR has the following concerns regarding the cost impacts and benefits to existing CAISO participants (specifically Measured Demand):

1. Will any costs be allocated to existing CAISO participants due to the implementation of the EIM and/or the entry of a new EIM Participants/Entities?
2. Will any existing CAISO participant costs be reduced due to the implementation of the EIM and/or the entry of a new EIM Participants/Entities?
3. Day-ahead uplift costs can easily be separated between existing CAISO participants and EIM participants because the EIM will not be initiated until the real-time market starts. However, it may be difficult to distinguish real-time uplift costs caused by CAISO participants versus EIM participants. How will the CAISO minimize or eliminate real-time uplift costs from comingling? Can CAISO provide an example?

We look forward to receiving further details in future proposals and stakeholder meetings.