

Stakeholder Comments

Energy Imbalance Market

Submitted by	Company	Date Submitted
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The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide its comments to the California Independent System Operator Corporation's (CAISO) July 2, 2013 "Energy Imbalance Market (EIM) 2nd Revised Straw Proposal" (2nd Revised Straw Proposal) and its July 9, 2013 stakeholder meeting. Given the numerous changes proposed and the CAISO's stated intent to provide more details in its next revision (3rd Revised Straw Proposal), SMUD will provide only very limited comments at this time.

Market Rule Oversight

SMUD appreciates the CAISO's recognition and decision to address governance matters in August with introduction of a parallel stakeholder process. It is important that this process track the other EIM activities to ensure all aspects of EIM development are in-sync.

Transmission Service

As included in SMUD's prior comments, we continue to support a charge for EIM use of as-available transmission and believe it should be included at EIM start-up. Based upon representations from the CAISO both in its responses to commenters and in its 2nd Revised Straw Proposal (at 61), however, the CAISO is still evaluating this issue and will discuss it further in future papers. SMUD will await further analysis by the CAISO. Additionally, SMUD hopes that the CAISO might explore options beyond the three it provided in the 2nd Revised Straw Proposal.

Greenhouse Gas Emissions Costs for Imports into California

While the 2nd Revised Straw Proposal provides additional information on the EIM's greenhouse gas (GHG) emission process, SMUD is concerned that the compliance obligation for importing GHG resources into California is still uncertain. Without requiring more granular e-tagging for

imports into the CAISO, there is risk that resource shuffling could occur and compliance obligations avoided. SMUD therefore supports the CAISO continuing discussions with the California Air Resources Board and stakeholders.

Charges for Under-Scheduling

SMUD believes the proposal to charge for under-scheduling if an EIM Entity uses its own load forecast (instead of the CAISO's) may essentially force an EIM Entity to use the CAISO's forecast, which under some circumstances the EIM Entity may be better able to provide a more accurate forecast. Moreover, SMUD observes that if use of the CAISO's forecast affects reliability within the EIM Entity BA, it could disincentive participation in the EIM or yield unnecessary uplifts. This issue should be explored further and a structure developed that will encourage the use of forecasts by the entity best able to provide them (which in many instances may very well be the CAISO).

SMUD supports a higher threshold for hourly submitted base schedules vs. base schedules updated every 15 minutes. An EIM Entity should have more accurate forecast data within the hour for each 15-minute interval to provide a more precise forecast. (2nd Revised Straw Proposal at 27).

It is unclear from the 2nd Revised Straw Proposal whether the CAISO proposes to tie the under-scheduling charge as a percentage of the relevant load aggregation point LMP or proposes a flat dollar charge similar to the Interim Scheduling Charge (i.e. \$150/MWh). SMUD supports a percentage charge (i.e. 125% of the LMP for the deviations from under-scheduling) because this corresponds more directly with the price of energy and does not disincent participation. SMUD also supports a ratcheted percentage charge based on the amount of deviation beyond the 4% bandwidth – for example, deviations of 5%-10% would see a charge of 125%; deviations of 11%-15% would see a charge of 150%; etc.

Impacts to COI

SMUD stresses the importance of addressing potential impacts to non-EIM transmission, specifically intra hour changes to load flow and capacity on the California Oregon Intertie. Although the EIM is not intended to diminish non-participating transmission rights-holders, there may be unintended impacts and therefore we continue to request the CAISO to examine this issue more carefully. For instance, in the case of unscheduled flow curtailments on Path 66, SMUD believes that EIM transactions should be of the lowest priority, and that EIM transaction in the direction of unscheduled flow should be curtailed first before (other) schedules are curtailed. Otherwise, EIM will have an impact on other existing path rights holders.

Conclusion

SMUD reiterates its appreciation for the CAISO's efforts and looks forward to its responses to both SMUD and other commenters.