



Comments of TransAlta Corporation *Energy Imbalance Market 3rd Revised Straw Proposal*

Submitted by	Company	Date Submitted
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TransAlta has reviewed the Third Revised Straw Proposal. This iteration has filled in the much of the substantive details and resolved several issues associated with implementing this proposed Energy Imbalance Market (EIM).

TransAlta is generally supportive of EIM development. We feel it should bring stability to pricing and provide a more efficient and reliable marketplace. However, we have several specific points we would like to highlight:

Size of the EIM:

It is noted in the EIM Governance EIM White Paper up to two additional seats could be added to the EIM Transition Committee. This would seem to indicate the EIM could include up to two additional EIM Entities before the October 2014 implementation.

It would be helpful if information could be provided giving a better indication as to the potential size of this initial proposed EIM. We understand discussions with potential EIM Entities are ongoing and confidential. However, we suggest that as soon as feasible, any additional EIM participation be made public. This would help market participants determine the EIM's total impact on the market and on their activities. Similarly, it would provide the clarity needed to reduce market uncertainty.

At this time, it seems improbable for another EIM Entity other than PacifiCorp to join the EIM before the October 2014 implementation date. Could the CAISO give a sense of the time it would take to add an additional Balancing Authority Area (BAA) to the EIM.



No Transmission Charges on Intertie

TransAlta understands the justifications for the CAISO's approach to collect experience-based data in order to construct an effective and compliant long-term EIM Transmission Tariff. However, we do not agree with not charging for EIM transmission over the first year and/or the longer term.

Fundamentally, the EIM should be held to the same standards as any other importer. Availability and costs of transmission should be included in the EIM to ensure market efficiency.

The treatment of transmission charges is fundamental to the EIM. By including Transmission Tariffs sooner rather than later, the EIM will be able to achieve its final structure more quickly. A delay could skew the market results and not provide a true indication of the benefits and costs of the EIM to the market and EIM Entities.

TransAlta is concerned "free" transmission at the intertie could be viewed as both uneconomic and providing favorable treatment to the EIM. We understand these cost impacts would likely be limited by the potential size of these transmissions. However, on a principles basis, TransAlta is concerned this approach may not be aligned with Federal Energy Regulatory Commission (FERC) supported Transmission Service Guiding Principles.

Specifically, non-EIM market participants could potentially bear EIM costs created by the "free" transmission. These costs could result from discriminatory access, inconsistent application of cost causation principles and inconsistent rates across market timeframes. Costs resulting from any one of the aforementioned issues would contravene FERC supported Transmission Service Guiding Principles.

TransAlta believes it would be beneficial for the CAISO to outline its Transmission Tariff development process as soon as possible. As noted on page 74 of the Third Straw Proposal, CAISO already intends to outline "its strategy for stakeholder engagement based on [stakeholder] input on this issue [transmission tariff]". Developing a clear upfront process for the collection of data, review of approaches and development of transmission tariff would provide market participants a meaningful way to engage in the development of a compliant EIM Transmission Tariff while also reducing market uncertainty and thereby providing an unobstructed indication of EIM benefits.

The key considerations in an EIM Transmission Tariff development should consider the extent to which the EIM might impact the rights of firm transmission holders. In



in addition, eventual solutions should support market based solutions and exclude non-market processes for allocating transmission for EIM use.

As a final note, a clarification of the following question would be helpful:

- Would this approach be used each time a new BAA joined the EIM or would an eventual transmission tariff be adopted to apply to each new EIM Entity?

Uplift Charges and EIM Training

TransAlta appreciates the ISO's efforts to follow with cost-causation principles in terms of allocating any uplift charges. We look forward to additional details on how these uplift costs will be determined and allocated.

We would also like to thank the CAISO for its commitment to provide EIM technical workshops. The workshops to date have been very informative and provide some needed clarity. We look forward to continued opportunities to better understand the operational functioning of the eventual EIM.

EIM participation of non-EIM resources

It was mentioned during CAISO's August 20th in person EIM stakeholder session in Portland that non-EIM resources could potentially participate in the EIM. It was suggested this could be accomplished through pseudo-ties. If this is correct, it would be helpful if the CAISO could provide confirmation and further details. However from the proposal, it seems the EIM Entity would have the final authority to determine which resources could participate. If this is the case, then it would be helpful for the CAISO to outline which criteria might be used to determine who could participate in the market (e.g. pseudo ties, etc.).

Overall, TransAlta values the significant thought and efforts the CAISO has put into their Third Straw Proposal. It has provided much needed details and has resolved most of the issues highlighted by the stakeholder groups. TransAlta appreciates the opportunity comment on the Third Revised Straw Proposal and looks forward to additional opportunities to contribute to this EIM development initiative.