



Connecting Clean Energy in the West

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April 15, 2011

To: Michelle Mizumori, Managing Director,
WECC Operations and Market Interface

From: Western Grid Group

Re: EIM Phase II Study Comments

Western Grid Group (WGG) appreciates the open and comprehensive efforts of WECC to evaluate the costs and benefits of establishing an Energy Imbalance Market in the Western Interconnection. We respectfully submit these comments on the EIM Benefits Phase II Methodology and the EIM Cost Study.

Phase 2 Benefits Methodology

1. WGG recognizes that the EIM Study was not designed to provide full segmentation of Market Participants to develop Market Participant cost and benefits. Nevertheless we appreciate the increase in zonal granularity in the Phase II Methodology and hope that modeling issues can be resolved to include at least the 23 zones portrayed on slide 12 of E3's April 1, 2011 presentation (including LADWP).
2. We understand that attempting to quantify the reliability benefits of an EIM is not currently part of Phase 2 Methodology, but the WECC staff is considering doing a qualitative description of reliability benefits and will also consider the feasibility of a quantitative "guesstimate." We strongly support this effort and believe that quantitative bookend estimates of reliability benefits could help expand discussion of the overall benefits picture.
3. WGG supports inclusion of the NREL methodology to allow procurement of flexibility reserves across the EIM footprint to be considered. This may help compensate, in part, for the fact that Phase II Methodology will not model full reserve sharing across the footprint.
4. Given that the EIM Phase II Methodology will not take into account any potential increase in unit commitment efficiency as entities become more familiar with the EIM, WGG supports adding a sensitivity analysis to reflect bookends of changes in unit commitment efficiency due to "learning" based on the operation of an EIM.
5. Because the models being utilized in the Phase II Methodology will not permit sub-hourly analysis, WGG urges that the Phase II Report include at least a qualitative assessment of the additional benefits that could result from 5-minute dispatch.

EIM Cost Study

WGG recognizes that the Cost Study approach was not designed to analyze the costs associated with a specific Market Operator candidate organization. However, the very broad ranges of costs for the Market Operator and market participants produced by this analysis make it difficult for parties to evaluate benefits and costs that could result from their participation in the EIM.

Therefore, we urge that additional consideration be given to analysis of cost differences associated with the market operator options that have so far been suggested

- SPP operates a Western EIM analogous to the SPP EIS market;
- WECC operates an EIM;
- Sub-regional groups (e.g., Northwest Power Pool, WestConnect) operate sub-regional EIMs;
- A new third party operates an EIM.

Thank you for the opportunity to provide these comments on the EIM process.

Sincerely,

Jim Byrne

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On behalf of Western Grid Group