

## MEMORANDUM

TO: Western Interconnection Regional Advisory Body (WIRAB)  
State-Provincial Steering Committee (SPSC)  
Committee on Regional Electric Power Cooperation (CREPC)

FROM: Steve Oxley, Chair  
SPSC Grid Utilization Work Group

DATE: October 22, 2010

RE: **Evaluating a Western Energy Imbalance Market**

The work of evaluating a potential Energy Imbalance Market (EIM) in the Western Interconnection is going forward on several tracks. This memo summarizes that work and discusses some potential next steps. States and provinces need to stay informed about these developments to be able to make the best informed decisions about EIM in the coming months.

### Developments to Date

#### **April 2010**

- The WECC Board agreed to undertake a benefit/cost study of an EIM (provided FERC approves WECC's 2011 budget).
- The SPSC and WIRAB agreed to contribute \$25,000 each to this study.
- WECC created an Efficient Dispatch Toolkit (EDT) Steering Committee and a related Technical Review Subcommittee to guide the benefit/cost study. The EDT includes both an EIM and an Enhanced Curtailment Calculator. Doug Larson, WIEB staff, was appointed to the Steering Committee. The Steering Committee and Technical Review Subcommittee have been meeting by conference call on the study design. All meetings are open to the public.
  - Learn more about the Committee on line at <http://www.wecc.biz/committees/BOD/EDTSC/default.aspx>
  - Staff contact information is at the end of this memo.

#### **September 2010**

- At the September 14 CREPC meeting, WECC reported on the benefit/cost study, and the WECC Seams Issues Subcommittee (SIS) reported on the development of tariffs which might be used to implement EIM. FERC staff and commissioners from three states commented.

In addition to this tariff work, the WECC SIS is working on refinement of the design specifications for the EIM, resolution of seams issues between the EIM and non-EIM portions of the Western Interconnection, and resolution of issues surrounding existing

reserve sharing agreements across the West. States and provinces are invited and encouraged to attend meetings of the SIS and its workgroups. For more information:

- Contact Victoria Ravenscroft of the WIEB staff
- Visit the [SIS website](http://www.wecc.biz/committees/StandingCommittees/MIC/SIS/default.aspx):  
<http://www.wecc.biz/committees/StandingCommittees/MIC/SIS/default.aspx>

### **October 2010**

- On October 5, WECC held a stakeholder meeting to explain the EIM and the proposed approach of the benefit/cost study. WECC's COO, Mark Maher, made clear that, to avoid wasting time and resources, it is important for decision-makers to give an early indication on the level of interest in an EIM. As it stands now, this should be accomplished through a "big tent" meeting of decision-makers (discussed below) -- most likely in early February 2011 when the initial runs of the benefits study will be available.
- Yesterday, [FERC approved](#) WECC's 2011 budget, which includes funds to execute the benefit/cost study. WECC will likely contract with the consulting firm E3 to perform the benefit side of the study and will issue an RFP for the cost side.

### Next Steps

A Western Interconnection EIM has the possibility of being able to create value for consumers as well as the entities likely to participate in it. This said, the states and provinces should remain strongly interested in implementing a Western EIM. Any such decision must be well informed, and to be able to reach an informed decision by next summer, there are three important steps:

- The WECC benefit/cost study must be robust and completed by its June 2011 target date. We have asked WECC hold a webinar so E3 can explain the proposed methodology for estimating the benefits of an EIM. There is some concern that the analysis will not consider intra-hour benefits of an EIM. WIEB staff is working with NREL and the Joint Initiatives to determine if there is a way to estimate the incremental intra-hour benefits provided by an EIM beyond those provided by the Joint Initiatives (DSS and I-TAP).
- Work needs to be done on a potential "umbrella" tariff to implement an EIM. The WECC Seams Issues Subcommittee is beginning this effort with a white paper. When it is available, we will share the draft with you. I encourage interested state and provincial representatives to become informed and active concerning these tariff issues. The next SIS meeting is on November 15-16 in San Diego. For information or to register for this meeting please see the [SIS calendar](#). Note that if you are attending the NARUC annual convention in Atlanta (November 14-17), please consider sending a representative to the San Diego meeting. (Please contact Victoria Ravenscroft, WIEB staff, if you would like to receive travel reimbursement to participate in the SIS meeting.) The SPSC has also contracted with Larry Chaset, recently retired from the California PUC, to help states and provinces understand tariff and related issues.

- Options for a potential Market Operator need to be explored.

A “big tent” meeting in February would be very useful in identifying additional analysis needed to prepare for a decision this summer. It would allow the companies most interested in pursuing an EIM to begin sorting through in greater detail issues associated with an umbrella tariff and Market Operator.

The question of who would host such a meeting arises, and to date, we have reports that WECC, the Joint Initiatives group and the Western Electricity Industry Leaders (WEIL) group do not wish to convene a “big tent” meeting.

This suggests the option of organizing the “big tent” meeting following the successful model of the ad hoc Western Assessment Group (WAG). In 2005, the Seams Steering Group-Western Interconnection (SSG-WI) was being dissolved as RTO development efforts were being disbanded. Faced with this, the WAG (a group of companies and states) organized a “big tent” meeting to decide where -- and if -- the interconnection-wide transmission planning, market interface and market monitoring functions formerly performed by SSG-WI should be performed. This WAG meeting recommended that WECC be asked to take on these functions; and, if WECC did not do so, an effort would be launched to create a new organization to undertake the functions. WECC agreed to take on the transmission planning function and the market interface function, which led to the creation of WECC’s Transmission Expansion Planning Policy Committee and Market Interface Committee.

These successes show the WAG “big tent” model is a good option for organizing a similar meeting on a Western Interconnection EIM. WIEB staff has offered to help assemble a committee of companies and states to organize a “big tent” meeting.

Please contact me ([soxley@state.wy.us](mailto:soxley@state.wy.us); 307.777.5746) or Doug Larson or Victoria Ravenscroft ([dlarson@westgov.org](mailto:dlarson@westgov.org); [vravenscroft@westgov.org](mailto:vravenscroft@westgov.org); 303.573.8910) if you want more information or if you want to become more actively involved.