

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/16/2017
CASE NO:	UE-170485 & UG-170486	WITNESS:	Scott Kinney
REQUESTER:	Public Counsel	RESPONDER:	Scott Kinney
TYPE:	Data Request	DEPT:	Energy Resources
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REQUEST:

Other utilities in the Pacific Northwest have joined or announced their intentions to join the CAISO's Energy Imbalance Market (EIM). Avista is not listed in CAISO's documentation of participants (present and future) in the EIM. Please explain Avista's reasoning for not joining the EIM.

RESPONSE:

Avista continues to actively monitor the development and expansion of the CAISO Energy Imbalance Market and regularly participates in regional meetings and dialogue associated with the EIM. At this time Avista doesn't have the same economic benefits, operational drivers, or other risks to justify joining the EIM. Preliminary economic analysis is not compelling based on estimated costs and benefits of joining the EIM. A previously conducted gap analysis, with the help of a consultant, estimates Avista's costs to join the EIM to be \$13-15M upfront, with \$3-\$4M in on-going annual costs. These estimated costs align with the average actual and estimated costs of entities that have either joined or have committed to join the EIM. Avista is currently working with a consultant to conduct a benefit assessment associated with participation in the EIM. Studies conducted by other utilities, with somewhat similar traditional resources but different variable resource profiles, show annual benefits ranging from \$3-5M. Avista anticipates its modeled benefits to be similar to this range, but will use final calculated benefits from its current study to complete a full cost benefit analysis by the end of 2017.

Avista is also monitoring and evaluating the operational benefits associated with EIM participation, and the associated risks of not participating in the market. One of the largest operational benefits for current EIM participants is the ability to balance and regulate large quantities of renewable resources by utilizing market resources instead of relying on individual resources. Avista doesn't currently have a significant penetration of renewable energy in its service territory, so the value of market participation isn't as significant as for other EIM participants. However, in the future if additional renewable resources are integrated into the Avista service territory, Avista may reach a tipping point where its existing resource mix isn't able to reliably or economically regulate these new resources. Avista is also monitoring impacts to the bi-lateral trading market as more entities join the EIM. Avista has not seen a significant change in bi-lateral trading behavior at this time but will continue to monitor the bi-lateral market impacts as additional utilities join the EIM.

The results of the economic analysis currently being evaluated along with the factors discussed above will drive the need and timing for Avista to join the CAISO EIM. Changes to any of the situations discussed could result in the need for Avista to join the market sooner than originally anticipated. At the timing of this rate case filing Avista had a budget placeholder to join the EIM by April 2021. In the current five year budget plan Avista moved the EIM placeholder start date to April 2022, due to benefit uncertainty and to accommodate other more pressing capital budget requests.