FAQ
Energy Imbalance Market

What is an energy imbalance market (EIM)?
The automated ISO system balances electricity supply and demand every five minutes by choosing the least-cost resource to meet the needs of the grid. External to the ISO, however, utilities still manually balance supply and demand. A more precise system will help with the transformation to a more diverse energy mix. Renewable resources have created new operating dynamics best met by modernized grid dispatching. This latest technology increases visibility of interconnected systems and uses automated tools to more accurately balance resources, which is why it is referred to as an “energy imbalance market” or EIM.

If it is more efficient, will it reduce costs?
The EIM is expected to bring down costs by allowing non-ISO transmission owners to benefit from calling on lower priced and a wider array of electricity resources to meet demand. It will also achieve efficiencies by leveraging geographical diversity to fine-tune electricity flows during times of under- or over-generation of energy. For instance, resources such as wind and solar power fluctuate depending on the weather, which can be calm and sunny in one area, and cloudy and windy in another. By capturing a wider portfolio of resources, an EIM optimizes available regional resources to ensure electricity can be dispatched where and when it is needed. That saves costs and enhances reliability.

How much will it cost and who pays for it?
The pay-as-you-go structure includes an initial start-up fee based on the size of the potential participant. In the case of PacifiCorp, the start-up fee is $2.1 million. Once the technical requirements are in place and the market goes live, PacifiCorp will pay ongoing fees based on their level of participation, at a rate similar to what existing participants pay for use of the real-time market.

Why a market-based solution?
The ISO already operates a real-time market with five-minute dispatch capability. This is tried and true and exists in a similar form in two-thirds of the United States, particularly in the Northeast and Midwest as well as much of Canada. This arrangement signals PacifiCorp’s interest in joining what is already working effectively to lower costs. It also expands the pool of reserves available. It is a natural step toward more efficient management of both PacifiCorp and ISO systems for the benefit of customers.
Will this lead to a regional EIM?

Regional discussions related to the development of a west-wide EIM as well as other potential western energy market enhancements are ongoing and generally show broad benefits. Both the ISO and PacifiCorp remain fully supportive of efforts to move toward broader coordination between balancing authorities in the West. As the EIM expands, the benefit for customers will grow and other western grids may consider joining the EIM in the future. The increased need to integrate renewable resources and reduce the strain on the transmission system makes the pursuit of better regional coordination more pressing now and in the future.

How will the EIM be governed?

EIM is part of the ISO markets and governed by the current ISO governance structure. The ISO continues to work with stakeholders to develop a governance structure that will give EIM participants and stakeholders a voice in EIM decision making. The ISO has established an 11-member Transitional Committee to advise the Board on EIM matters (including start up and implementation) and would propose a path for a long-term independent EIM governance structure.

What happens next?

In September, the ISO Board will decide if EIM implementation is ready to begin on October 1, 2014.