

**Comments of the Modesto Irrigation District  
on the ISO's Second Draft Revisions  
in the Tariff Clarifications Filing Initiative**

The Modesto Irrigation District ("MID") thanks the California Independent System Operator Corporation ("ISO" or "CAISO") for the opportunity to submit the following comments on the ISO's December 9, 2010 postings pertaining to its "Tariff Clarifications Filing" initiative. MID appreciates the ISO's responses to several of MID's comments to date, and offers the following comments pertaining to the ISO's December 9 postings:

1. Use of the undefined term "network constraints"

In its November 23, 2010 comments, MID sought clarification on certain of the ISO's proposed changes in various Tariff sections in which the ISO sought to substitute the defined term "Transmission Constraints" for the defined term "Constraints," and to refer to "constraints" in the Tariff pursuant to the "plain meaning" of that word. Unfortunately, the ISO's December 9 responses did not directly provide the clarification requested by MID in certain of these instances.

For instance, in response to the ISO's proposed revisions to Section 27.5.1.1 (Base Market Model used in the CAISO Markets), MID sought clarification on the types of constraints the ISO proposed to enforce "on the Interties." In its December 9 response to MID's comment, the ISO stated that it would change the term "network constraints" to "Transmission Constraints," but did not provide an explanation of the meaning of "network constraints" as MID had requested. ISO Response Matrix #48. Given that the term "network constraints" appears in other Tariff and Business Practice Manual provisions, it would be helpful to understand the other types of constraints, if any, the ISO views as being encompassed in the meaning of "network constraints."

In response to the ISO's proposed revisions to Section 27.5.3 (Integrated Balancing Authority Areas ("IBAA")), MID previously commented that since the term "network constraints" is not defined in the ISO Tariff, the ISO should make clear in this section that "Transmission Constraints" are among the constraints that the ISO will not enforce for an IBAA. In its December 9 response to MID's comment, the ISO stated that the term "network constraints" in that section "includes transmission constraints that are not on the ISO grid or within the ISO balancing authority area," and that the ISO did not believe this term requires additional clarification. ISO Response Matrix #52. In response to a similar comment by the Transmission Agency of Northern California to the same proposed revision, the ISO asserted that it "will not enforce any constraints in IBAA as a result of the changes proposed in this filing." *Id.* at #54. Furthermore, in response to a similar comment by Silicon Valley Power, the ISO stated that "the term network constraints encompasses Transmission Constraints." *Id.* at #53.

In its December 9 proposed revision to this section, however, the ISO has replaced the term "network constraints" with "Transmission Constraints." This proposed revision does not comport with the ISO's stated intentions to not enforce any constraints in the IBAA. Instead, the proposed revision would indicate that the ISO only does not enforce "Transmission Constraints" on the IBAA and would be silent on whether the ISO would enforce

other types of constraints on the IBAA. Thus, MID requests that the ISO revise the sentence so that it provides, “the CAISO monitors but does not enforce the network constraints, including Transmission Constraints, for an IBAA in running the CAISO Markets Processes.”

2. Section 27.1.1 (Locational Marginal Prices (“LMPs”) for Energy)

On November 11, 2010, the ISO proposed revisions to Section 27.1.1 to clarify that the Hour Ahead Scheduling Process (“HASP”), which is conducted hourly, calculates fifteen minute HASP Intertie LMPs for the subsequent Trading Hour. The ISO has not fully explained, and MID would appreciate further clarification on, why the ISO has proposed to specify “Non-Dynamic System Resources and exports” in the following revision to Section 27.1.1: “The HASP, which is conducted an hourly run of the RTUC with the Time Horizon that starts at the beginning of the nextfor scheduling Non-Dynamic System Resources and exports for the subsequent Trading Hour, calculates fifteen-minute LMPs (HASP Intertie LMPs) for the applicable ~~that~~ Trading Hour.”

3. Section 27.1.1.3 (Marginal Cost of Congestion)

MID would appreciate further explanation from the ISO on the basis for its proposed December 9 revision from “all” to “a” in the following sentence: “The Marginal Cost of Congestion at a PNode reflects a linear combination of the Shadow Prices of a ~~all~~-binding Transmission Constraints in the network, ~~each~~-multiplied by the corresponding Power Transfer Distribution Factor (PTDF).”

MID reserves the right to supplement these comments on the ISO’s instant initiative in further comments.