

COMMENTS OF THE TRANSMISSION AGENCY OF NORTHERN CALIFORNIA
ON THE 2016 STAKEHOLDERS INITIATIVES CATALOG AND ROADMAP
NOVEMBER 4, 2015

The Transmission Agency of Northern California (TANC) appreciates this opportunity to provide comments on the California Independent System Operator Corporation's (CAISO) 2016 Stakeholders Initiatives Catalog and Roadmap. TANC seeks clarification on how the Full Network Model (FNM) Enhancement discussed in Section 5.3.3 of the Stakeholder Initiatives Catalog as slated for April of 2016, relates to Phase 2 of the FNM Expansion stakeholder process that the CAISO initiated in 2013.

Specifically, in its Revised Straw Proposal in the FNM Expansion stakeholder process (dated September 2013), the CAISO proposed the creation of a North pricing hub and a South pricing hub. In that proposal, all schedules originating in/sinking to a Balancing Authority Area (BAA) in the North would receive the North price and all schedules originating in/sinking to a BAA in the South would receive the South price. CAISO Full Network Model Expansion Revised Straw Proposal at 20 (September 11, 2013). The CAISO also proposed in that Revised Straw Proposal to change the import pricing point for the Integrated Balancing Authority Area from the Captain Jack Locational Marginal Price (LMP) to the North Hub price. *Id.* at 22. TANC as an entity impacted by the IBAA construct, raised concerns on November 13, 2013 with that CAISO's Revised Straw Proposal, including that the CAISO had not justified its proposal to change the IBAA import pricing from Captain Jack to the North Hub. As that stakeholder process developed, the CAISO decided to address its FNM Expansion initiative in two phases (and filed its Phase 1 tariff revisions with the Federal Energy Regulatory Commission in Docket No. ER14-2017-000).

In its December 19, 2013 comments on the Third Revised Straw Proposal, TANC stated its belief that foregoing implementation of the North and South pricing hubs was the correct decision. TANC cautioned, however, that the CAISO should not predetermine exactly how or whether it will propose to revise the pricing structure in the next phase, and should instead use Phase 1 to better understand the actual pricing and scheduling implications of the new Full Network Model and consider afresh the need for any of the changes then slated for Phase 2, including the proposed aggregated hub model. In that regard, TANC stated as follows:

TANC remains particularly concerned that the move from the Captain Jack locational marginal price (LMP) to hub pricing for Integrated Balancing Authority

Area (IBAA) imports, and the different treatment proposed for IBAA modeling and pricing, is not justified and requires further study. Thus, at a minimum, we encourage the CAISO to publish on its website, an analytical analysis on the pricing implications of moving to the North/South pricing hubs or any potential alternatives that could be used (including no change). This analysis should include information pertaining to the CAISO's contention that there will be "limited pricing differences between the Captain Jack LMP and the North Hub" (p. 50) and to verify that aggregated hub pricing is the only avenue for addressing any legitimate concern regarding "gaming potential should prices occasionally diverge" (p. 50). We believe this analysis will be absolutely necessary for stakeholders to understand the need for, and financial consequences of, aggregated hub pricing.

In response to TANC's above-noted comments, the CAISO stated that "the stakeholder process to discuss Phase 2 can be effectively used to revisit the ISO's proposal and consider alternatives that may be more appropriate given input from Phase 1. In addition, implementing Phase 1 will allow the ISO to provide to stakeholders the pricing analysis requested by TANC." CAISO's Matrix Response to Stakeholder Comments at 30 (December 30, 2013). Although the CAISO did file in Docket No. ER14-2017-000, an informational report regarding its Full Network Model pre-implementation analysis, it has not, to date, provided an analysis of the aggregated hub pricing.

It is not clear how the "Full Network Model Enhancements" initiative described in Section 5.3.3 of the Stakeholder Initiatives Catalog relates, if at all, to the Phase 2 FNM Expansion proposal previously discussed by the CAISO. As such, TANC requests that the CAISO provide greater clarity as to if and how this proposed initiative relates to Phase 2 of the CAISO's FNM Expansion stakeholder process. Additionally, and particularly if the FNM Enhancements process slated for April 2016 is in fact intend to be the Phase 2 FNM Expansion process, as discussed in our prior comments, TANC continues to request that the CAISO sufficiently study and publish associated analyses for any proposed changes to pricing nodes, including any proposed change to aggregated hub pricing. TANC further requests that the CAISO ensure that there is adequate time built into the stakeholder process so that any impacted entities have sufficient opportunity to receive, analyze and comment on the CAISO's studies.