

## **CMUA Comments on Integrated Balancing Authority Models**

**January 14, 2008**

CMUA submits these preliminary comments pursuant to the procedures set out on the January 8, 2008, conference call on integrated balancing authority modeling.’

As an initial matter, CMUA supports improved modeling of the electric grid. However, CMUA is concerned that CAISO proposed changes, coming with so little public discussion, may be ill considered. This view is based on the discussions on the January 8<sup>th</sup> Conference Call, a review of posted materials, and CMUA’s understanding of other modeling issues confronting the CAISO and how those challenges may interact with these proposals and affect model accuracy in general.

CMUA’s comments are preliminary because details regarding CAISO’s proposals have only recently surfaced in public discussion. CMUA is a policy organization and does not review the Full Network Model down to the mathematical details. Moreover, CMUA understands that many of the discussions that have occurred on this topic have been bilateral in nature and not shared with the broader stakeholder group. CMUA first saw vague references to possible changes to how Balancing Authority areas outside the CAISO may be modeled in MRTU Status Reports in late September or early October. Communications with CAISO Staff following up on this matter indicated that detailed proposals were not ready for public review. Now, CMUA understands from the stakeholder conference call of January 8<sup>th</sup> that the CAISO is committed to a particular course of action, and that this course of action commenced well in advance of full public disclosure of this issue. This process is woefully inadequate for an issue that may change energy price exposures for several market participants.

### Several CMUA Members are Affected

CMUA cannot at this stage judge fully the impact of the CAISO’s IBAA proposals on its members. However, based on our understanding the impact could be widespread. The January 8<sup>th</sup> Conference Call revealed that the CAISO appears to have focused on entities that are neighboring Balancing Authorities, and also entities that are within those Balancing Authorities. In fact, many CMUA members take considerable energy deliveries from neighboring balancing authorities; therefore, pricing at boundaries is critical to many CMUA. For example, CMUA members take consider energy deliveries from Western Area Power Administration within the SMUD Balancing Authority. Other CMUA members have rights to generation and schedule at other Intertie points that may be affected by CAISO changes to tie point pricing.

### Data and Information Appears Thin

CAISO Staff have clearly worked hard on data issues surrounding the proposals. However, numerous questions were raised on the January 8<sup>th</sup> call that did not have clear answers and that could affect results. Two examples were (1) questions on how

CMUA Comments  
IBAA Preliminary Issues

dynamically scheduled resources were modeled; and (2) questions on the scheduling of the Calpine Sutter Plant and its affect of study results presented by the CAISO. Clearly, since these are both significant resource categories, the answers to questions presented could impact study results. More importantly, the fact that the CAISO did not have clear answers to these questions raises concerns that this proposal is formative and nature and not “fully baked.” It is far too late to be considering these issues with MRTU start up a couple of months away. If the studies and impact of a market design proposal are not fully understood at this time, the CAISO should not be introducing it for effectiveness at start up.

Affect on CRR Nomination Process

The January 8<sup>th</sup> Conference Call did not cover in detail the impact of the proposal on CRR nominations. Clearly, CMUA will have grave concerns if CRR hedges are affected. CMUA will also be interested in any proposal to ensure a hedge for these CRRs, and the potential uplift that may result. More than that, however, CMUA members may have modified their CRR nomination strategies if potential modeling changes were well known. CMUA’s understanding of CAISO Staff representations on the January 8<sup>th</sup> Conference Call were that Full Network Model changes were made in 2007 prior to some portions of the nomination process. However, CMUA counsel was involved in certain members’ nomination efforts. The source-sink templates used in the nomination process included individual source points and scheduling points, not aggregated hubs for certain scheduling points. Thus, to say there was full disclosure of network model changes appears to be an incomplete representation of the issue.

CMUA is looking to learn more about the changes and the impact on CMUA members. However, this cannot happen in a process in which the CAISO has already committed to move forward with model changes without rigorous and complete stakeholder review.

Changes in Pricing Without a Tariff Filing are a Matter of Great Concern

Based on representations on the January 8<sup>th</sup> Conference Call, it appears that the CAISO does not plan to make a tariff filing despite the fact that pricing at certain scheduling points will change. Pricing is clearly a rate, term, or condition of service and must be filed with the Commission. CMUA and its members have grave concerns regarding the ability of the CAISO to make changes to pricing without the requisite Section 205 filing.