

Stakeholder Comment Template	
CAISO Integrated Balancing Authority Area (IBAA) Proposal	
Organization: Turlock Irrigation District	Date Submitted: 4/28/2008
Organization Representative: John Perry	Contact Number: (209)883-8602
Industry Segment: Municipal Utility	
<p>Instructions: The CAISO is requesting written comments on the <i>Draft Final Proposal on Modeling and Pricing of Integrated Balancing Authority Areas (IBAA)</i> that was discussed at the April 11th MSC/Stakeholder meeting, a written draft of which was posted on April 18, 2008 at http://www.caiso.com/1fad/1fad12f244a990.pdf. This template is offered as a guide for entities to submit comments.</p> <p>All documents related to the CAISO's IBAA proposal are posted on the CAISO Website at the following link: http://www.caiso.com/1f50/1f50ae5b32340.html</p> <p>Upon completion of this template please submit (in MS Word) to kalmeida@caiso.com . Submissions are requested by close of business on Friday April 25, 2008.</p>	
<p>Reference Section 2.0 (Proposed IBAA Modeling Methodology) of the CAISO Draft Final Proposal.</p> <p><i>In Section 2.0, the CAISO makes the following statements:</i></p> <ol style="list-style-type: none"> 1) <i>"In order to manage congestion as accurately as possible on the CAISO Controlled Grid it is important to accurately reflect the effect of intertie transactions in the FNM to the extent feasible."</i> 2) <i>"One intended purpose of the IBAA modeling and pricing provisions is to ensure that there will not be large differences between scheduled intertie transactions (and scheduled flows) with the IBAA's and actual intertie transactions (and actual flows) with IBAA's."</i> 2) <i>"Improved modeling of external systems in the FNM and lessening discrepancies between modeled and actual flows means increasing the accuracy of the LMPs in reflecting system conditions and managing congestion."</i> <p><i>Based on the description of the proposed modeling approach in Section 2 pp. 3-5, please indicate whether your company supports, does not support, or conditional supports, the CAISO's proposed modeling methodology and whether your company believes the CAISO's modeling methodology will achieve the results described in (1) and (2), above. If your organization does not support the CAISO's proposal, please provide specific reasons for your position and possible alternative approaches that achieve the CAISO's stated objectives.</i></p> <p>TID does not support the CAISO's modeling methodology and does not believe that it will achieve the results describe herein. First, TID is concerned that the proposed pricing provisions do not accurately reflect the value of exports to the CAISO grid or the cost of exports from the CAISO grid. Without providing an appropriate pricing signal to external Balancing Authorities there is no indication to the external Balancing Authority as to what resource is more valuable to the CAISO. TID is doubtful that the</p>	

CAISO's desire to achieve accurate flows across the interties will be met with this pricing proposal. Second, it is undisputed that the CAISO's modeling methodology fails to accurately reflect Load Distribution Factors. This fundamental flaw in the CAISO's proposal virtually guarantees that the CAISO will not achieve the results it has described. More accurate modeling that utilizes accurate Load Distribution Factors is required and is a more reasonable solution to achieve the CAISO's desired results.

Reference Section 3.0 (Proposed IBAA Pricing Methodology) of the CAISO Draft Final Proposal.

In Section 3.0, the CAISO outlines the following pricing proposal:

- 1) *a method of pricing transactions to and from the SMUD and TID BAAs based on the following new default IBAA pricing rule:*
 - a) *All imports to the CAISO from the proposed IBAA's would be priced based on the Locational Marginal Price (LMP) at the Captain Jack proxy bus; and*
 - b) *All exports from the CAISO to the proposed IBAA's would be priced based on the LMP at the SMUD Sub-Hub.*
- 2) *that the proposed default pricing rule be applied in the absence of an alternative arrangement which provides for more detailed information regarding the resources supporting the scheduled intertie transaction and there exists demonstrable benefits to the CAISO market of such alternative arrangement. The CAISO may support such alternatives, i.e., more granular, pricing, through the development of case-by-case agreements.*

In addition, the CAISO stated that:

- 3) *The CAISO originally proposed to establish discrete prices for each of six initially identified System Resources or Aggregated System Resources anticipated to support intertie transactions between the CAISO and SMUD and TID BAAs. This was referred to as "Sub-Hub" pricing in the CAISO's December 14 IBAA Discussion Paper. The CAISO's proposal would establish prices for the following Sub-Hubs: SMUD, Western, MID, Roseville, TID and Captain Jack.*
- 4) *The CAISO also stated that it has now moved off of the Sub-Hub based pricing proposal because of concerns that, without further information regarding the resources supporting the intertie transaction, the Sub-Hub proposal may inappropriately value intertie transactions between the CAISO and the proposed IBAA's (i.e., not reflect the true value of such transactions for purposes of managing congestion on the CAISO Controlled Grid).*

Please provide comment on the CAISO's recommended IBAA Pricing Methodology. Please indicate whether your company supports, does not support, or conditional supports, the CAISO's recommended default pricing rule. In circumstances where your organization does not support the CAISO's recommendation, please provide specific reasons for your position and whether your company prefers the Sub-Hub pricing methodology or other possible alternative approaches that support effective and efficient congestion management solutions. In addition, if your company supports the Sub-Hub or other granular IBAA pricing, please indicate whether your company would be willing to enter into an agreement to provide information to the CAISO that identifies and confirms the sources supporting scheduled intertie transactions between the CAISO and an IBAA. Please also indicate what added benefits to the CAISO market your company believes such sub-hub pricing would provide.

TID does not support the CAISO's recommended default pricing rule. As a general matter, the use of a single hub price for all BAAs would negate the intended goal of MRTU and Locational Pricing because it lacks the requisite granularity needed to achieve a true and accurate location based price. With a "One-Hub" price, large geographic areas are lumped into one pricing structure. This is problematic because it fails to accurately reflect the vast resource and locational differences between the multiple sub-BAAs that would be affected by this proposal. By failing to accurately reflect locational differences, the "One-Hub" approach contradicts the CAISO's goal of appropriately valuing the interties.

In addition TID shares the concerns expressed by CCSF that this pricing proposal is inconsistent with the CCSF/CAISO Operating Agreement.

Reference Section 4.0 of the CAISO Draft Final Proposal.

Under the CAISO's IBAA proposal the CAISO is proposing to establish:

- 1) the measures necessary to address the impact on Congestion Revenue Rights (CRRs) in the event that future IBAs are adopted during the term of released CRRs;
- 2) that new IBAA changes take effect on January 1 of a new year (i.e., in the Day-Ahead Market that is run on December 31), and to provide to market participants all the modeling and pricing details as part of the FNM information package that is made available for CRR purposes prior to the conduct of the annual CRR release process for that year.
- 3) provisions described below for assessing and mitigating impacts on the previously-released Seasonal CRRs for the remainder of that year.

Approach 1: Allow the holder of a previously-released CRR whose source or sink is affected by the IBAA change to make a one-time election either to (a) modify the settlement of the CRR to be congruent to the revised IFM pricing associated with the IBAA change, or (b) retain the original source or sink specification of the CRR.

Approach 2: Modify all relevant CRR settlements to reflect the IBAA change, as in option (a) of Approach 1.

Based on feedback from stakeholders and the CAISO's careful consideration, the CAISO recommends Approach 1 enabling CRR Holders to maintain their intended hedge against potential congestion costs for purposes of serving load, yet allows those CRR Holders that procured a CRR for financial purposes to keep their financial instrument.

- 4) The CAISO proposes to use the CRR Balancing Account – which has already been approved by FERC as the means to ensure full funding of CRRs – to cover any IBAA-related shortfall that occurs in a given month.

Please provide comment on the CAISO's recommended approach to addressing Congestion Revenue Right (CRR) related IBAA issues. Please indicate whether your company supports, does not support, or conditional supports, the CAISO's recommendation. In circumstances where your organization does not support the CAISO's recommendation, please provide specific reasons for your position and possible alternative approaches that address the identified problem.

Reference Section 5.0 of the CAISO Draft Final Proposal.

Under the CAISO's IBAA proposal the CAISO is proposing to establish:

- 1) a process for creating new, or modifying approved, IBAs. The proposed process requires the CAISO to seek collaboration and conduct a consultative process with the affected BAAs and CAISO stakeholders. Specifically, the CAISO is proposing to include in its Tariff provisions that would require that the CAISO follow a consultative process with the affected BAA and its stakeholders. Finally, the CAISO would be required to make a FERC filing to modify its tariff to actually add a new IBAA or change any of the elements regarding the existing IBAA reflected in its Tariff.

Please provide comment on the CAISO's recommended process for creating new, or modifying existing, IBAs. Please indicate whether your company supports, does not support, or conditional supports, the



CAISO's recommendation. In circumstances where your organization does not support the CAISO's recommendation, please provide specific reasons for your position and possible alternative approaches that address the identified problem.

TID does not support the CAISO's recommendation for creating new, or modifying existing IBAA's. In addition to the problems referenced above, TID does not believe the CAISO's current IBAA process was sufficient or effective, which give little comfort to the above consultative and collaborative process.