

Comments of Southern California Edison on Proposed Tariff and BPM Language for IBAA's
February 20, 2008

SCE appreciates the opportunity to provide the California ISO with further comments on the issue of Integrated Balancing Authority Area Modeling and Pricing (I-Hubs). SCE first notes and appreciates the fact that the CAISO has chosen to pursue portions of this issue in a 205 proceeding rather than a Compliance filing. Per our earlier comments, we agree a 205 filing, as it relates to pricing issues, is the appropriate forum.

Specific Comments on Proposed Tariff Language

SCE seeks clarification regarding sections 27.5.3.2 and 27.5.3.3 of the draft tariff language. The language indicates "Resource Specific System Resources... would be settled at its LMP..." How will this specific price be calculated? Will it be calculated at the CAISO's border, or internal to the I-Hub? How will this effect pricing for the rest of the I-Hub?

We are concerned that allowing multiple prices within an I-Hub or a Sub-system will create arbitrage opportunities. That is, if there are price differences between the Resource Specific System Resource and the larger I-Hub price, a party could, for example, sell Resource Specific energy and then buy-back the same amount as load at the I-Hub price. To address this obvious game, we recommend the CAISO eliminate the Resource Specific System Resource pricing option and instead price and settle all resources/load within an I-Hub (or I-Hub sub-system) at the same price.

SCE seeks clarification on Section G-1. The language states "The CAISO places injections and withdrawals within the IBAA's, which represent bids and schedules for the IBAA's impact on transmission flows." If an IBAA is not modeled as an I-Hub, does the ISO plan to distribute schedules originating within the IBAA according to the schedule transaction, or instead, will the schedules be modeled as injections at all IBAA scheduling points and distributed according to some distribution factors?

Also Regarding section G.1, SCE objects to the following language: "In the case where the IBAA represents a single Balancing Authority, a single aggregate IBAA price is used based on the weighted average price of the nodes where System Resources have been modeled in the IBAA." This language should be modified or struck. As written, by default all IBAA's that are a single Balancing Authority - not just SMUD/TID/MID - will have all interconnection points aggregated and the I-Hub will receive a single price once System Resources are modeled. SCE object to this default process of creating I-Hubs. There may be IBAA's that should not be turned into I-Hubs and the CAISO should explicitly recognize this fact and reflect it in the tariff.

Further, SCE would like to reiterate its request for process in the decision to create an I-Hub and the creation of a corresponding price. In our comments dated February 5, 2008, SCE outlined the following process:

1. Prior to instituting an I-Hub, the CAISO will have a public stakeholder process to inform stakeholders of the details of a proposed new I-Hub, along with the technical justification for the I-Hub.
 - i. The CAISO should also provide the weighting factors that will be used to determine I-Hub prices. In addition, the CAISO should specify a process by which weighting factors are updated.
 - ii. The CAISO should also specify what issues would need to be resolved in order for the proposed I-Hub to be dissolved and again have its individual components priced separately.
2. If, after feedback from stakeholders, the CAISO continues to believe the I-Hub is necessary, they should file full details of the proposed I-Hub, including the calculation of weighting factors, for approval at FERC.
3. Stakeholders then have an opportunity to support/oppose the I-Hub at FERC.
4. The CAISO will only implement the I-Hub after obtaining FERC approval.

SCE continues to recommend that the CAISO implement this process and codify it in the tariff.

Specific Comments on the Proposed BPM Language

Regarding the BPM, SCE believes that section 4.2.6.3, regarding the process for establishing and modifying IBAAs, should be modified per our comments above, and moved to the tariff. Per SCE's proposed approach, the CAISO will be able to implement all FERC approved I-Hubs, and all parties will have an opportunity to raise concerns/support at FERC.

Thank you for the opportunity to provide comments.