

Comments of the Sacramento Municipal Utility District to the CAISO's Integrated Balancing Authority Area Modeling and Pricing Tariff Amendment

The Sacramento Municipal Utility District (SMUD) hereby offers its comments on the revised Integrated Balancing Authority Area (IBAA) tariff language posted by the California Independent System Operator Corporation (CAISO) on May 19, 2008.

General Comments

Although the CAISO has made a major revision to its IBAA proposal, virtually none of the changes it has proposed were in response to its collective stakeholder comments. Indeed, the tariff language suffers from many deficiencies SMUD and other stakeholders had complained of in prior comments. Compounding this problem, the revised tariff language refers to critical provisions of the CAISO's Business Practice Manuals (BPMs) that the CAISO has yet to draft. Finally, SMUD must express its skepticism about the entire comment process. The CAISO has given stakeholders a single week, including the Memorial Day weekend, to review and compile comments on a completely revamped proposal. While it plans to follow up with a stakeholder meeting on the 30th, the CAISO nonetheless plans to file its revised tariff during the week of June 2nd. This literally assures that the comment process will be an empty formality -- even if the CAISO agrees that stakeholders have pointed out valid deficiencies in its tariff, it has left itself no time to revamp the filing to respond to valid stakeholder concerns and objections.

As with the previous version of this proposed tariff, the 4th draft IBAA is vague and incomplete and leaves too much discretion to CAISO. Below, SMUD highlights some of the problems with the draft. These comments are confined to defects in the draft and do not address the general merits of the proposal. SMUD has addressed its broader concerns in earlier comments.

Specific Comments

Section 27.5.3 Integrated Balancing Authority Areas. CAISO has introduced a new concept in this section, the "Market Efficiency Enhancement Agreement." A definition of this new concept is provided in Appendix A to the proposed tariff. According to that definition, CAISO "may enter into such an agreement provided that there is a demonstrable benefit to the CAISO Markets resulting from such alternative arrangements." The tariff language gives the CAISO too much discretion, it leaves undefined the concept of a "demonstrable benefit" to CAISO Markets and leaves key details to as-yet unrevised BPMs. This section of the propose tariff also cross-references Section 27.5.3.4, which states that the CAISO will model the associated sources and sinks that are external to the CAISO Balancing Authority Area using individual or aggregated System Resource injections and withdrawals at locations in the FNM "that allow the impact of such injections and withdrawals on the CAISO Balancing Authority Area to be reflected in the CAISO Markets Processes as accurately as possible given the information available to the CAISO." But Section 27.5.3.4 does not to adequately

describe how that process will work. Nor do we know whether the related BPM will do so.

Section 27.5.3.1 Currently Defined Integrated Balancing Authority Areas.

This new section states in pertinent part that “additional details regarding the modeling specifications for these IBAs are provided in the Business Practice Manuals.” First, those “additional specifications” should be included in the tariff and not the BPM. Second, those “additional specifications” are either not currently addressed in the draft BPM or are not adequately addressed in the BPM. SMUD has previously commented on the fact that the details should be included in the tariff and that the BPMs, in any event, fail to explain the proposal adequately.

Section 27.5.3.2 – Process for Adopting a New Integrated Balancing Authority Area or Modifying an Existing Integrated Balancing Authority Area.

This new section grants CAISO what appears to be complete discretion to “establish new IBAs and modify existing IBAs.” Section 4.2.6.3 of the draft BPM merely requires CAISO to “consult” with affected entities. Any process for adopting a new IBAA or modifying an existing IBAA should be specifically spelled out in the tariff. According to the draft tariff, the first time CAISO is required to provide supportive findings for the addition of a new or modification to an existing IBAA is when it has made its “necessary” filing with FERC. Although new proposed section 27.5.3.3 sets out the factors CAISO will consider in adopting or modifying an IBAA, that section does not describe how those factors are going to be weighed.

Business Practices Manual

Finally, according to the documents posted on the CAISO web-site, the BPM draft has not been updated to reflect any of the proposed changes that are made in this proposed tariff. However, the BPM is referred to numerous times as the place where further information can be found. It is impossible to provide meaningful comments on the tariff filing when key provisions of the BPMs have yet to be drafted.

Respectfully Submitted, May 27, 2008