

**Additional IBAA Questions Submitted by Stakeholders Regarding  
the Integrated Balancing Authority Area Proposal  
April 16, 2008**

**1) NCPA Question:**

During the recent CAISO stakeholder conference call it was clarified that this proposal was meant to apply only to those “previously-released” CRR that have not been released. As understood from the discussion, to the extent CRRs issued in the future are impacted by a subsequent change to the FNM resulting from the implementation of an IBAA, the settlement of these to be allocated CRRs may be adjusted based on one of the two proposed approaches. If this understanding of the discussion that took place during the recent stakeholder conference call is incorrect, please indicate so, but based on that understand NCPA requests that the CAISO clarify the CAISO Issue Paper to eliminate the misleading nature of the current language.

**CAISO Response:**

The phrase “previously-released CRRs” means those CRRs that were released prior to incorporating the IBAA into the CRR FNM. In the case of the current SMUD and TID IBAA, if the CAISO implements the 6-hub approach that was already incorporated into the CRR FNM prior to the summer 2007 CRR release process, then there would be no “previously-released” CRRs. Under the any other another approach, however, such as the single-hub model, then this would be a change to the modeling approach adopted for the CRR FNM and it would be appropriate to implement the provisions for previously-released CRRs. The CAISO will discuss further this issue in its upcoming Draft Final Proposal.

**2) SCE Question:**

Although we support Approach 1, it requires some additional details. For instance, at what point in the implementation of the I-Hub will the CAISO allow parties to convert their CRRs? Will the conversion have to take place prior to the implementation of the IHub, or will impacted holders have some time to “observe” the I-Hub in actual implementation before they decides whether or not to convert? In any manner, we view these as relatively minor issues, but they need to be addressed at some point in the process.

**CAISO Response:** The option to convert the CRRs in Approach 1, would take place prior to the implementation of the IBAA and there would be only one opportunity to exercise the option. In particular, the CAISO has stated it would in most cases time the implementation of IBAA changes to coincide with an annual CRR cycle; i.e., the change would be implemented in the spot markets at the start of a new calendar year, and the modeling of the IBAA would be introduced into the CRR FNM for the annual CRR process to release CRRs for that year. In such cases, CRR Holders would have to make their conversion decisions for any previously released CRRs prior to the start of the relevant CRR release process.

**3) SCE Question:**

In previous comments on February 5 and 20, 2008, SCE requested a process in which implementation of an I-Hub was conditioned on FERC’s approval. We believe this process will ensure that all impacted parties have a chance to raise concerns both at the CAISO level and at FERC prior to I-Hub implementation. SCE appreciates the CAISO’s response to this request and their willingness to add this additional process.

**CAISO Response:** The CAISO has discussed the process requirements for implementation of new IBAs in response to prior questions. The CAISO will reflect this more fully in subsequent release of the draft Final Proposal and will reflect the appropriate corresponding proposed tariff changes in the subsequent release of the tariff.

**4) SCE Question:**

During the February 28, 2008 CAISO IBBA conference call, SCE understood that in the event the CAISO establishes an I-Hub, it would allow an ETC to schedule at an intertie point; however, the CAISO would implement the I-Hub construct and establish DFLs within the I Hub boundaries based on the ISO's assessment of how power actually flows. SCE respectfully requests the CAISO to confirm this understanding and elaborate on this approach. SCE would also appreciate understanding how settlements would be impacted by such an approach.

**CAISO Response:** The IBAA proposal does not modify the ability for an ETC right to be scheduled at an intertie if the ETC allows for use of that point. However, in the event that an IBA A hub is established for settlement of specific Scheduling Points based on the hub pricing, the ETC perfect hedge settlement would be based on the congestion component of the LMP derived consistent with the hub pricing at the specific Scheduling Point.

**5) SCE Question:**

Also, the ISO proposal suggests that even if there is not a formal establishment of an IHub, the CAISO is considering modeling flows, using DFLs, as it believes power would flow. SCE understands that it would allow a contract holder to schedule at an injection point based on their contract rights, but the CAISO would model flow based on DFLs rather than schedules. SCE would appreciate the CAISO to provide a detail description of this proposal.

**CAISO response:** The CAISO will address this in its upcoming draft Final Proposal.

**6) SCE Question:**

During the February 25th IBAA conference call, an issue arose which, in essence, requests clarification on how the CAISO would treat wheeling revenue disbursement under its IBBA proposal.

The general concern is how would wheeling export revenues be disbursed by the CAISO to the PTOs in the following cases:

1. There is more than one PTO in an I-Hub and
2. There is more than one PTO as well as non PTO(s) in an I Hub.

Specifically, if the creation of the I Hub would result in DFLs and power flows that are different than the export schedule, how will the CAISO disburse wheeling revenues to maintain equity in TAC revenue disbursements?

**CAISO response:** The CAISO will address this in its upcoming draft Final Proposal.

**7) TANC Question:**

What impact, if any, does the ISO's IBAA CRR Proposal (which was clarified on February 25) have on the nomination and allocation process that took place last fall, including with respect to monthly, seasonal, annual and long-term CRRs awarded under that process?

**CAISO Response:** See response to NCPA question #1 above.

**8) TANC Question:**

What, if any, is the ISO's proposal for addressing concerns raised by TANC and TANC Members related to CRRs nominated and allocated last fall? If there is no proposal, please explain fully.

**CAISO response:** It is not clear to which TANC and TANC Member concerns this question refers. The CAISO suggests that its answer to NCPA question #1 above might address those concerns.

**9) TANC Question:**

Has the ISO conducted any studies or analyses on the impacts of the two possible approaches described on page 5 of the IBAA CRR Proposal? If so, please provide all such relevant information, studies or analyses.

**CAISO Response:** With respect to future IBAA's it is not possible at this time to define appropriate studies, because it would depend entirely on the nature of the IBAA change being considered. Since the 6-hub approach was already included in the CRR FNM, there would be no need for applying the "previously released CRR" provisions, hence no need to assess the potential impacts of the two options. With respect to the single-hub approach, which was discussed in the December 2007 papers (See <http://www.caiso.com/1f50/1f50ae5b32340.html>) the CAISO will provide more detail regarding this issue in its upcoming draft Final Proposal.

**10) TANC Question:** What does the ISO mean by the term "previously-released CRRs" as it appears throughout the IBAA CRR Proposal? See, e.g., IBAA CRR Proposal at 5-7.

**CAISO Response:** See response to NCPA question #1 above.

**11) TANC Question:**

Has the ISO conducted any studies or analyses on the impacts of developing System Resource Aggregations for the proposed SMUD/WAPA and TID IBAA's on CRRs allocated last year? If so, please provide all such data.

**CAISO Response:** The CAISO has not conducted such studies because, as noted in the answer to NCPA question #1 above, such studies were not necessary since these IBAA's were already incorporated into the CRR FNM that was used to release CRRs last year.

**12) TANC Question:** Did such studies examine whether implementation of the SMUD/WAPA and TID IBAA's before any other IBAA's were established would have any effect on the resulting LMPs under MRTU? If not, why not? If so, please provide all such studies.

**CAISO Response:** The CAISO has previously explained the basis for proceeding with the SMUD/Western and TID IBAA first. See <http://www.caiso.com/1cb4/1cb4e0984a670.pdf>.

**13) TANC Question:**

The ISO states that it plans to file changes to the ISO Tariff that reflect additional detail on the modeling specifications and a new pricing methodology related to the IBAA that it plans to implement at the start of MRTU. *Id.* at 4. Does the ISO intend to make any Tariff changes based on the IBAA CRR Proposal? If so, when will the ISO provide draft Tariff language for stakeholder review? If not, provide citations to the sections of the ISO Tariff or other authority that authorizes the ISO to implement either of the two proposed approaches.

**CAISO Response:**

The CAISO does propose to add and modify tariff language in support of its IBAA proposal. The new tariff language will be posted for stakeholder review after the final proposal has been formulated. The CAISO announced on April 11, 2008, the following time table. May 9 – Post Tariff Language; May 19 – Comments due on draft Tariff language; May 23 – Stakeholder meeting regarding Tariff language.

**14) TANC Question:**

What are the instances that may require the ISO to “implement an IBAA change mid-year,” as noted in page 5 of the IBAA CRR Proposal, and will there be any notification to stakeholders prior to the ISO making any such changes?

**CAISO Response:** The CAISO has committed to trying to time its IBAA changes to be implemented in the spot markets at the beginning of a new calendar year, and to incorporate the planned changes into the preceding annual CRR release process. There may be instances, however, where a mid-year IBAA change can result in a substantial increase in congestion management accuracy and reliable grid operations, and therefore should not wait for the next calendar year. In such cases the CAISO would incorporate the new IBAA into the CRR FNM for the next monthly CRR process, timed so that monthly CRRs released on the revised network model would be available when the IBAA change goes into effect.

**15) TANC Question:**

The ISO notes on page 6 of the IBAA CRR Proposal that it does not have at this point, “a definitive answer as to whether Approach 1 or Approach 2 offers lower risk of revenue inadequacy that may result from modifying the sources and sinks of the previously-released CRRs.” What information does the ISO have of the impact on revenue inadequacy in the event no changes are made to the previously-released CRRs?

**CAISO Response:** Question not clear as to what is meant by “no changes are made to previously-released CRRs” The main issue to be considered for CRR revenue adequacy is whether the FNM used for the DA Market Energy pricing and settlement is the same as the FNM used for the CRR release. If these are the same then revenue adequacy is guaranteed. If they are not the same then there is some risk – but not an ineluctable certainty – of revenue inadequacy.

**16) TANC Question:**

As to Approach 1, how and by whom are determinations as to “whose source or sink is affected by the IBAA change,” to be made? Also, what does the ISO mean by a “one-time election”?

**CAISO Response:** Affected CRRs are identifiable by having a source or sink corresponding to an energy settlement location (PNode or APNode) that will be modified as part of incorporating the IBAA into the spot markets. The “one-time election” means that there will be a one-time opportunity for the CRR Holder prior to implementation of the IBAA in the spot markets. See response to SCE question #2 above.

**17) TANC Question:**

Please provide examples depicting how, if at all, Approach 1 and 2 will affect COTP imports.

**CAISO Response:** The question is not clear as to what is meant by the effect on COTP imports.

**18) TANC Question:** Please provide examples depicting how, if at all, Approach 1 and 2 will affect COTP exports

**CAISO Response:** The question is not clear as to what is meant by the effect on COTP exports.

**19) TANC Question:** Has the ISO engaged in any studies or analyses of the impact of the two approaches on simultaneous feasibility and revenue adequacy in the event either of Approach 1 or Approach 2 is adopted?

**CAISO Response:** Because there is no inconsistency between the FNM used for the first annual CRR release and the FNM to be used in the spot markets under the 6-hub approach, there is no need to conduct such studies if that approach is adopted. The CAISO is considering further the potential impact on revenue adequacy of the two Approaches under the single hub pricing approach and will address this issue in subsequent releases of its draft Final Proposal.

**20) TANC Question:** Please explain what the ISO means on page 6 of the IBAA CRR Proposal that the ISO will “strive to take this approach with all IBAA changes, except possibly in cases where there is a pressing need for improved accuracy in the congestion management procedures in the area of the proposed IBAA change.”

**CAISO Response:** See response to TANC question #14. The CAISO will provide further explanation of this issue in its draft Final Proposal.

**21) TANC Question:** TANC requests explanation as to the ISO’s statement on page 6 of the IBAA CRR Proposal concerning the proposed SMUD/Western and TID IBAAs, and that “it will be possible to settle the relevant CRRs using the new pricing locations created for the IBAA without adding any new risk of revenue inadequacy.”

**CAISO Response:** Released CRRs were based on the 6-hub IBAA modeling approach. Under this modeling approach, released CRRs will be fully feasible so the IBAA creates no risk of revenue inadequacy. See also response to NCPA question #1.

**22) TANC Question:** Please provide the data that supports the ISO's assertions on page 8 of the IBAA CRR Proposal that: (1) "the benefits of the IBAA change in terms of improved accuracy of congestion management and pricing will be enjoyed by the entire CAISO BAA," and (2) "any limit expansion resulting from the SFT analysis only increases the risk of revenue inadequacy, but does not deterministically cause revenue inadequacy."

**CAISO Response:** (1) No such data exists. (2) Expanding the limit causes a violation of the requirements of the revenue adequacy theorem. Such violation only means that revenue adequacy cannot be guaranteed, but it does not mean that revenue inadequacy will definitely occur.

**23) TANC Question:** How does each of the approaches presented in the IBAA CRR Proposal impact the ISO's February 15 Response, which provided as follows: "Moreover, with respect to CRRs, the CAISO is not stating that an entity that injects (source) at Captain Jack for delivery to the SMUD hub *but uses the CAISO Controlled Grid* to do so need acquire a CRR over the COTP. Rather, the CAISO is stating that if an entity wishes to hedge potential CAISO congestion costs related to an import to the CAISO Controlled Grid from the SMUD IBAA where that import is sourced at Captain Jack, the entity need procure a CRR from (source) Captain Jack to the SMUD hub (sink). Such a CRR would hedge that entity from the congestion costs likely to arise from congestion *on the CAISO Controlled Grid* from an import from the SMUD IBAA sourced at Captain Jack."

**CAISO Response:** Not applicable if the 6-hub approach is adopted, since this approach was already incorporated into the first annual CRR release. See also response to NCPA question #1 above.

**24) Western Question:** Western therefore respectfully requests that the CAISO allow SMUD-Western and TID balancing area participants to also be afforded the chance and opportunity to revisit their prior CRR nominations and not be arbitrarily excluded from this proposed new prospective process. We further request that CAISO ensure that any settlement changes resulting from new pricing locations in the IBAA will be applied in the same way to both the IFM energy settlement and the CRR settlement. Continuing with this line of reasoning, Western respectfully requests that it be allowed to exercise option 1 of the two options presented in the CAISO issue paper/straw proposal.

**CAISO Response:** See response to NCPA question #1 above. The CAISO will address this further in its draft Final Proposal.