

**CAISO Response to  
SVP Follow Up Questions to  
Joint SVP/SMUD/TID IBAA Questions  
submitted on February 29, 2008**

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SVP summarizes below its understanding of the CAISO's previous response(s) to some of the questions (either from written responses or from the stakeholder conference calls), and clarifies certain of the questions. SVP's original questions are shown in black type, while SVP's summaries and follow-up questions are shown in blue type. The CAISO's responses are shown in red font.

- 3) The CAISO announced at the January 24, 2008 conference call how it will treat certain injections under the IBAA proposal.
- a) Are all injections at Tracy 500 kV (Tracy 500), including those of non-IBAAs, modeled as injections at Captain Jack (COTP)?

Summary of SVP understanding of CAISO response

If an SC identifies an Import Schedule at Tracy 500 kV as originating from COTP by using the TRACY5\_5\_CAPJAK or TRACY5\_5\_COTP Resource ID, that Import will be modeled and priced as an injection at Captain Jack. If an SC identifies an Import Schedule at Tracy 500 kV as originating from the Western system by using the Tracy5\_5\_PGAE Resource ID, that Import will be modeled and priced as an injection at the Western Hub (using the weights for Cottonwood-76%, Tracy Pumps-7% and Folsom-17%).

COTP schedules that sink to either the Western system or the SMUD system (i.e., are not imported into the CAISO) will not be priced/settled between the IBAA and CAISO. If energy that originates on COTP is scheduled to the CAISO via the SMUD Hub, that transaction would be mapped back to Captain Jack and the CAISO would model and price the energy at Captain Jack.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO agrees with SVP's assessment.

Follow up questions: If there are net exports to the CAISO from the SMUD or Western systems, during periods when Western or SMUD are importing energy from the Northwest using COTP, how does the CAISO propose to differentiate the source of the Import to the CAISO (Captain Jack vs. Western Hub/SMUD Hub)? Would it propose to use a fixed decision rule (e.g., Imports to CAISO come first from the SMUD Hub/Western Hub or vice-versa) or would the Importing SC make the determination and specify the source via the Resource ID?

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CAISO Response

Although simultaneous in nature, the CAISO will distinguish between the two distinct transactions based on the resource ID's used for each transaction.

Will the CAISO model COTP scheduled flows that are not scheduled as Imports to the CAISO and COTP actual flows (to improve the FNM solution within the CAISO)? If so, please explain how the CAISO intends to do so (e.g., timing and source(s) of information)?]

CAISO Response

For transactions that are not scheduled into the CAISO system, the CAISO will not receive market nor any other information regarding the use of the COTP and thus will not model such schedules in its market systems and applications. The CAISO will receive non-CAISO Controlled Grid COTP aggregate net schedules in its role as Path Operator for the California-Oregon Intertie (COI), but that information will not be input to or used by the CAISO market systems/applications. In the Real-Time Market (RTM), the CAISO's market software will observe physical flows at the CAISO's boundary with IBAs, based on the CAISO's telemetry, and determine sources of injections within the IBAs and at Captain Jack that produce flows in the CAISO's power flow calculations that match the observed physical flows. For each subsequent interval of the Real-Time Dispatch, the CAISO's market software will assume that the difference between the calculated injections and the market schedules (i.e., compensating injections) will continue at the most recently observed level. This process is necessary to maintain accurate congestion management as part of the CAISO's maintenance of system reliability. Although the compensating injections will affect LMPs (since they affect the flows on the CAISO Controlled Grid), there are no settlements for these compensating injections since that have not been scheduled into the CAISO's markets.

- b. If so, how will the CAISO distinguish between injections at Tracy 500 which originate from Captain Jack or elsewhere within the SMUD/Western BA?

See SVP summary and follow up questions above.

- c. How will CRRs using Tracy 500 hedge injections at Captain Jack?

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Summary of SVP understanding of CAISO response

If the CRR holder specified either TRACY5\_5\_CAPJAK or TRACY5\_5\_COTP as the Resource ID in its CRR request, the awarded CRR will hedge Tracy transactions that have been mapped to Captain Jack as the source.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO agrees with SVP's assessment, with the further clarification that TRACY5\_5\_CAPJAK and TRACY5\_5\_COTP are distinct Resource IDs for both CRR settlement and Energy schedule settlement purposes.

The difference between TRACY5\_5\_COTP and TRACY5\_5\_CAPJAK is that the TRACY5\_5\_COTP resource ID represents the entitlements on COTP that belong to the PTOs of the CAISO. As a result the TRACY5\_5\_COTP represents schedules using the CAISO Controlled Grid on the COTP. On the other hand TRACY5\_5\_CAPJAK represents the non-CAISO Controlled Grid portion of the COTP rights. The CAISO has modeled these by different resource IDs since the scheduling rights at TRACY5\_5\_COTP are restricted to the quantity of entitlements belonging to the CAISO PTOs. While it is not the CAISO's role to sell transmission on the non-CAISO COTP, the CAISO may model and value the source of transactions that ultimately use the CAISO Controlled Grid based on the impact of such transactions on the CAISO Controlled Grid. Therefore, it is appropriate for the CAISO to model and settle the TRACY5\_5\_CAPJAK transactions that ultimately sink or pass through the CAISO. At times when the scheduling limit on the CAISO Controlled Grid entitlement represented by TRACY5\_5\_COTP can become binding while the TRACY5\_5\_CAPJAK is not, the LMP at TRACY5\_5\_COTP may be different than the LMP at TRACY5\_5\_CAPJAK. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.caiso.com/1f9e/1f9e98fb55210.pdf>. The CRR settlement will be provided for such Tracy transactions on the same basis as of the Resource ID that was selected in the CRR nomination process.-

- d. The CAISO indicated on the January 24 call that parties, such as DOE, should have used Captain Jack rather than Tracy 500 as a source for CRRs. At what point had the CAISO finalized its proposal to the extent that a stakeholder should have relied upon it for CRRs? How were stakeholders notified of the mapping of each Intertie point to a particular source, and of changes to the mapping? If the notification was via the Full Network Model

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data tables, how were entities that did not receive the Full Network Model data tables notified of the mapping?

Summary of SVP understanding of CAISO response

The CAISO's CRR FNM included detail that enabled market participants to select a point (Tracy) that was mapped back to a potential source (Captain Jack, SMUD hub, Western hub).... That model was made available to Market Participants through the CRR process in the July 2007, timeframe.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO agrees with SVP's assessment.

SVP Follow up questions

SVP submitted a data request on February 27 requesting information related to the mapping of transactions at Tracy to potential sources. In addition to the information the CAISO will make available responsive to the February 27 data request, did the CAISO provide any other notification of the Tracy source mapping change to market participants (other than in the CRR FNM model released to parties that had signed the Non-Disclosure Agreement)? If so, please identify that notification. How were entities that did not receive the Full Network Model notified of the mapping? What percentage of CRR allocation/auction participants had signed the NDA as of the date the FNM with the changed Tracy mapping was released? What percentage of TANC/SMUD/Western/TID CRR allocation/auction participants had signed the NDA as of the date the FNM with the changed Tracy mapping was released?

CAISO Response

The CAISO is continuing to compile information in response to this question.

- e. Will N-S schedules on COTP under the current market model that are scheduled with the CAISO as Imports at Tracy be settled at the Captain Jack LMP congestion and loss components under the IBAA proposal?

SVP Understanding of CAISO response

Yes.

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Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO interprets the statement “current market model” in the question as referencing the MRTU market model. With that and the clarification above regarding the distinction between TRACY5\_5\_CAPJAK and TRACY5\_5\_COTP, the CAISO agrees with SVP’s assessment of the CAISO response.

Will N-S schedules on COTP that under the current market model are scheduled as imports to the SMUD/Western Balancing Authority Area, be modeled and priced in the CAISO’s MRTU market model using the Captain Jack congestion and loss components as the “source” prices? If so, what will be used as the “sink” prices?

SVP understanding of CAISO response

COTP imports into the SMUD/Western Balancing Authority Area will not be priced by the CAISO, unless that import is the source for an Import into the CAISO.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

Follow up questions. See follow up questions to 3.a. above.

CAISO Response

The CAISO will not assess CAISO charges for schedules on the non-CAISO Controlled Grid portion of the COTP that are delivered into the SMUD/Western system, i.e., not imported into the CAISO system. Those schedules that use the CAISO Controlled Grid portion of the COTP will be assessed CAISO charges. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.caiso.com/1f9e/1f9e98fb55210.pdf>.

- f. If the congestion and loss components at Captain Jack are used to settle COTP Imports at Tracy, will the prices of those components reflect the marginal cost of congestion, and the marginal cost of losses, respectively, on the CAISO Controlled Grid?

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Summary of SVP understanding of CAISO response

Yes.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO agrees with SVP's assessment.

If the answer to this question is yes, does that mean that COTP Imports at Tracy will be assessed CAISO congestion and loss charges?

Summary of SVP understanding of CAISO response

Yes, based on the Captain Jack congestion and loss components.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.]

CAISO Response

The CAISO's response was with respect to imports to the CAISO system at Tracy that are sourced from Captain Jack.

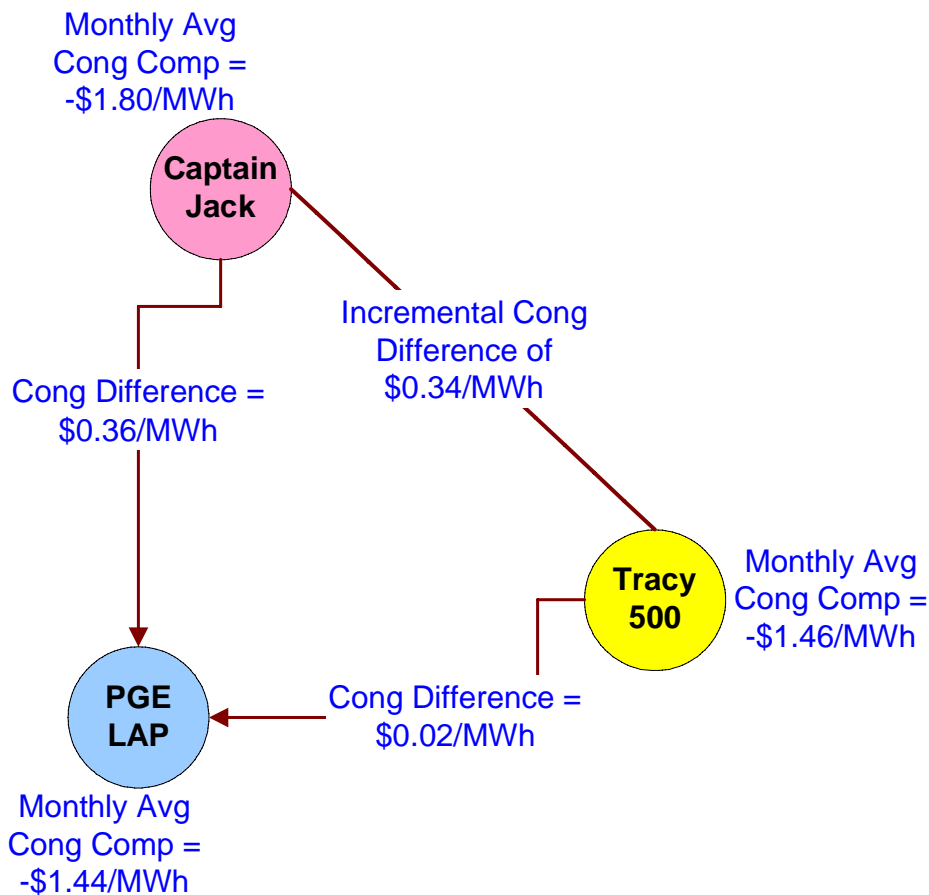
- g. Under the current market structure, COTP Imports at Tracy do not require FTRs to hedge congestion costs between Captain Jack and Tracy. Under the IBAA proposal CRRs would be required to hedge congestion between Captain Jack and Tracy, even though the COTP project is not part of the CAISO Balancing Authority Area or the CAISO Controlled Grid. Please explain how a Tracy CRR obligation mapped back to Captain Jack does not place additional burdens on COTP owners that do not exist under the current market structure.

SVP believes that the CAISO has not responded to this question. SVP hopes the example below helps illustrate the issue and will enable the CAISO to respond to the question above.

Consider the average congestion components at Tracy 500, Captain Jack and PG&E Default LAP for April 2005 (from LMP Study 3C). The figure below shows that the average congestion between Tracy 500 and the PG&E Default LAP for April 2005 was \$0.02/MWh. The average congestion between Captain Jack and

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the PG&E Default LAP was \$0.36/MWh. If a party scheduling COTP Imports at Tracy does not hold a CRR mapped to Captain Jack, it would be exposed to \$0.34/MWh more congestion than it would have been if the injections were priced at Tracy. While the CAISO would make available CRRs mapped to Captain Jack to provide a Day Ahead hedge for the entire \$0.36/MWh congestion exposure, this CRR is an obligation, rather than an option. Holding the Captain Jack – PG&E Default LAP CRR is inherently more risky than holding the Tracy – PG&E LAP CRR. COTP participants previously had the option to schedule injections at Tracy, but once they hold the CRR, it becomes an obligation (since they risk paying counter-flow congestion). Also, once they hold the Captain Jack – PG&E LAP CRR, they no longer have the ability to capture the South – North value of the COTP line for the periods covered by the CRR. SVP believes this reduces the value of the COTP line to it and other COTP participants. With this explanation, please respond to the question previously posed in 3.g.]



Source: Hourly Congestion Components of LMP in April 2005 in the LMP Study 3C

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CAISO Response

Please see response to 3c. The CAISO agrees that under the current market structure, COTP Imports at Tracy do not require FTRs to hedge congestion costs between Captain Jack and Tracy. The current market structure employs a Zonal congestion management structure that only assesses congestion charges for scheduled transfers across designated Inter-Zonal paths, while ignoring impacts of such schedules on "Intra-Zonal" CAISO Controlled Grid facilities. Captain Jack to Tracy does not represent such an Inter-Zonal path and therefore, under the existing Zonal congestion management model, no congestion charges are assessed and therefore no FTRs are issued or needed. Scheduled imports to the CAISO at Tracy are assessed Inter-Zonal Congestion charges.

The existing Zonal approach has well-known problems, however, due to the discrepancies between Zonal congestion management and actual energy flows. In particular, today's lack of congestion charges reflecting impacts on the CAISO grid of Captain Jack schedules sinking within the CAISO reflects only the flawed Zonal model and should not be viewed as indicating that such CAISO grid impacts do not occur.

The LMP-based MRTU design and the IBAA proposal are structured explicitly to remedy these flaws in the Zonal model. CAISO agrees that under MRTU and under the IBAA proposal, transactions that are scheduled at Tracy under the existing Zonal model will now be associated with a more accurate source location such as Captain Jack. Thus, for example, for imports to the CAISO scheduled at Tracy and sourced from Captain Jack the CAISO will model and assess the congestion and loss impact of those transactions on the CAISO Controlled Grid. At the same time, the CAISO will not model or assess congestion and loss impacts of such transactions on facilities that are not part of the CAISO Controlled Grid, such as the non-CAISO capacity on COTP. Thus to the extent the IBAA proposal is viewed as placing "burdens" on some market participants that do not exist under the present Zonal model, that is because the present Zonal model is unable to account accurately for the impacts of those parties' energy schedules that source or sink within the CAISO grid. To assist such parties in managing the congestion costs associated with the more realistic modeling under the IBAA approach, CRRs may be acquired to hedge potential costs of the congestion impacts on the CAISO grid related to import transactions scheduled at Tracy and sourced at Captain Jack, including transactions using the CAISO capacity on COTP as well as the non-CAISO capacity. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.caiso.com/1f9e/1f9e98fb55210.pdf>. The CAISO agrees that the CRRs



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are an obligation, and thus may represent a risk to the holder if their scheduled use of the CAISO system is systematically different than the CRRs they procured. But if parties acquire CRRs that reflect their typical or average use of the grid for each CRR term (Season by TOU, or Month by TOU), then their CRRs should be an effective instrument for managing such risks.

- h. As a non-CAISO transmission facility, COTP interchange transactions can be made “post-Day Ahead”. Please explain how post-Day Ahead COTP schedule changes (for Tracy Imports) will be protected from CAISO congestion charges under the IBAA proposal.

SVP believes that the CAISO has not responded to this question. SVP believes that the CAISO has provided no mechanism to protect entities that previously had no post-Day Ahead congestion exposure between Captain Jack and Tracy, from such exposure under the IBAA proposal.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

In the lengthy stakeholder process to develop the CRR design, it was concluded, as approved by FERC, that CRRs would settle against IFM prices rather than RT prices. With regard to potential exposure to RT congestion charges, it must be understood that parties who are eligible to be allocated CRRs based on their load-serving requirements are eligible for a load-based total quantity of CRRs, without regard to whether they intend to schedule that load in the IFM or post-DA. That way, they will receive settlement for the full CRR quantities they hold even if some portion of their load is scheduled post-DA, and would be exposed only to the potential differential between the IFM-based congestion cost and the RT congestion cost, not to the full amount of RT congestion.

- i. Will Imports at Malin be settled using the congestion and loss components at Malin?

Summary of SVP understanding of CAISO response

Yes.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.]

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CAISO Response

CAISO agrees with SVP's understanding.

Given that Captain Jack and Malin are directly connected to each other by 500 kV facilities, is it reasonable to assume that the congestion and loss components at Malin and Captain Jack will be similar?

SVP believes that the CAISO has not responded to this question, but SVP believes the answer to this question is yes. Does the CAISO agree with this assessment? If not, please explain why the congestion and loss components at Malin and Captain Jack would not be similar and provide any information the CAISO has that supports its conclusion.

CAISO Response

If there is no congestion on the PACI Transmission Interface, then LMPs at Malin and Captain Jack would be similar. However, if the scheduling capacity at Malin becomes congested, Malin would have a lower LMP than the portion of Captain Jack to Olinda capacity that is not under CAISO operational control. In addition, due to the distinction between TRACY5\_5\_CAPJAK and TRACY5\_5\_COTP described earlier – the latter Resource ID representing the CAISO share of COTP – it is possible that the scheduling limit at this Resource ID could become congested and cause the TRACY5\_5\_COTP LMP to be lower than either the Malin LMP or the TRACY5\_5\_CAPJAK LMP. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at:  
<http://www.aiso.com/1f9e/1f9e98fb55210.pdf>.

Given that the COTP terminus at Tracy is directly connected to the Pacific AC Intertie terminus at Tesla by 500 kV facilities is it reasonable to assume that the congestion and loss components at Tesla and Tracy would be similar to one another (assuming that Tracy is not mapped backed to the Western Hub as contemplated in the IBAA proposal)?

SVP believes that the CAISO has not responded to this question, but SVP believes the answer to this question is yes. Does the CAISO agree with this assessment? If not, please explain why the congestion and loss components at Tracy and Tesla would not be similar and provide any information the CAISO has that supports its conclusion.

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CAISO Response

Schedules that will be tagged at Tracy will be associated with some type of Resource ID, regardless of whether such Resource IDs are mapped to Captain Jack, and these Resource IDs would have a scheduling limit. If the scheduling limit for "Tracy" schedules does not become a binding constraint, the LMPs at Tracy and Tesla would be similar. However, if the scheduling limit for "Tracy" schedules does become a binding constraint, then "Tracy" schedules would have a lower LMP than Tesla.

These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.aiso.com/1f9e/1f9e98fb55210.pdf>.

Would one expect that congestion and loss differentials between Malin and Tesla and between Captain Jack and Tracy to be similar?

SVP believes that the CAISO has not responded to this question, but SVP believes the answer to this question is yes. Does the CAISO agree with this assessment? If not, please explain why the congestion and loss differentials between Malin and Tesla and between Captain Jack and Tracy would not be similar and provide any information the CAISO has that supports its conclusion.

CAISO Response

Regarding congestion, see the above responses. Regarding losses, Malin and Captain Jack LMPs would be similar, and Tracy and Tesla would be similar. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.aiso.com/1f9e/1f9e98fb55210.pdf>.

- j. Given that COTP schedules are assessed transmission losses by Western (based on actual losses), please explain why assessing CAISO losses for COTP Imports at Tracy does not result in COTP Imports being "double" charged for losses.

SVP believes that the CAISO has not responded to this question, but SVP believes that by assessing CAISO losses for COTP Imports at Tracy by applying the Captain Jack loss component, that COTP Imports would be charged twice for losses: Once by the entity responsible for managing losses on the COTP line (Western), and once by the CAISO (even though the CAISO does not incur COTP losses). SVP does not believe the CAISO has considered all of the

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relevant factors affecting CAISO losses associated with IBAA transactions and would like to discuss this issue further during the March 6 IBAA stakeholder meeting.

CAISO Response

The CAISO disagrees that there would be double-counting of losses, because the CAISO's charges for losses will be based only on losses within the CAISO transmission system. The CAISO has not researched Western's calculation of loss changes, but expects that Western would only charge for losses within its area. Thus, losses within each system are only charged once, even though each transmission provided has its own loss charges. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at:  
<http://www.caiso.com/1f9e/1f9e98fb55210.pdf>.

Will COTP schedules that are not imported to the CAISO be assessed CAISO losses?

Summary of SVP understanding of CAISO response

No.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO agrees with SVP's assessment. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at:  
<http://www.caiso.com/1f9e/1f9e98fb55210.pdf>.

Are the actual loss impacts on the CAISO Controlled Grid from COTP schedules that are imported to the CAISO Controlled Grid at Tracy the same as the loss impacts on the CAISO controlled Grid from COTP schedules that are not imported to the CAISO Controlled Grid?

SVP believes that the CAISO has not responded to this question, but SVP believes the answer to this question is yes. Energy that flows over COTP, whether it is associated with CAISO's 154 MW of COTP rights or a COTP participant in the CAISO's rights or a COTP participant in the SMUD Balancing

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Authority Area's rights has the same LMP loss component impact on the CAISO. But, since Western – and not CAISO – is responsible for managing COTP losses, Western mitigates the loss impacts associated with COTP flows (no matter what is the source of those flows).

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

No, the CAISO does not agree that the actual loss impacts on the CAISO Controlled Grid from COTP schedules sourced at Captain Jack that are imported to the CAISO Controlled Grid at Tracy are “the same” as the loss impacts on the CAISO Controlled Grid from COTP schedules sourced at Captain Jack that are not imported to the CAISO Controlled Grid. While the loss impacts are likely to be close, the fact that the two identified schedules sink at different points indicates that the loss impacts will likely be slightly different. Since the CAISO does not receive non-CAISO Controlled Grid COTP schedules and since those schedules do not use the CAISO Controlled Grid, i.e., are not scheduled as imports to the CAISO system, the CAISO cannot assess loss charges. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.caiso.com/1f9e/1f9e98fb55210.pdf>.

Are the loss impacts on the CAISO Controlled Grid from Malin Imports essentially the same as COTP imports at Tracy?

SVP believes that the CAISO has not responded to this question, but SVP believes the answer to this question is No. For Malin Imports, the CAISO is responsible for managing the losses and thus must provide extra generation to cover the losses associated with Pacific AC Intertie (Malin) flows. In contrast, the CAISO is not responsible for losses associated with COTP flows, and thus does not incur the cost of the extra generation to cover the COTP losses.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

First, under the CAISO's IBAA proposal, the CAISO does not model injections at Tracy. The CAISO accepts schedules at Tracy that are sourced from either Captain Jack, the Western hub, or other established Market System Resource IDs. All imports to the CAISO sourced from Captain Jack will have similar loss and congestion impacts on the CAISO system. With respect to SVP's example

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(loss impacts of an import schedule at Malin versus an import schedule at Tracy (assuming a source at Captain Jack), if the two schedules have the same sink (e.g., PG&E LAP) then their loss impacts on the CAISO grid should be very close if not identical, and the CAISO would have to provide the generation to cover such losses in either case. Therefore, the CAISO does not agree with SVP's assessment.

These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.caiso.com/1f9e/1f9e98fb55210.pdf>.

- k. Regarding the proposed Western Hub pricing, will the Western Hub loss component be a different price than the loss component at Tracy (absent the proposed IBAA Western Hub aggregation)?

SVP believes that the CAISO has not responded to this question, but SVP believes the answer to this question is Yes, since the Western Hub price will be weighted 76% Cottonwood, 7% Folsom and 17% Tracy Pumps, rather than 100% Tracy 500 kV.

Please indicate whether the CAISO agrees with this assessment, and if not, please explain why not.

CAISO Response

The CAISO agrees with SVP's assessment.

Given that Western customers take delivery of their Western allocations at Tracy, how can Western customers within the CAISO Balancing Authority Area maintain the current responsibility for losses and congestion from the Tracy delivery point?

SVP believes that the CAISO has not responded to this question. Please provide a response.

CAISO Response

The CAISO does not understand the statement "current responsibility for losses and congestion". If Western is serving load within the CAISO system pursuant to Existing Transmission Contracts (ETCs) or using its own transmission facilities (Transmission Ownership Rights or TORs) or transmission capacity secured pursuant to the Western-CAISO-PG&E Transmission Exchange Agreement, then the only charges Western will be assessed are those established under those agreements. To the extent that Western is using the CAISO Controlled Grid beyond its contractual rights, then Western will be assessed the then-applicable

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CAISO charges for delivery of power from Tracy to their load, i.e., for congestion (for which there are CRRs available) and losses as proposed under the CAISO's IBAA proposal. These concepts are further illustrated in the presentation provided by the CAISO during the TANC/CAISO meeting held on April 3, 2008 which can be found at: <http://www.caiso.com/1f9e/1f9e98fb55210.pdf>.