

City and County of San Francisco's Comments on the
CAISO Draft Integrated Balancing Authority Area Modeling
and Pricing Compliance Filing
November 7, 2008

San Francisco appreciates this opportunity to respond to the draft proposed tariff language prepared for the Integrated Balancing Authority Area (IBAA) Modeling and Pricing Compliance Filing prepared in response to the September 19, 2008 FERC Order Accepting Tariff Amendments and Ordering Compliance Filing, 124 FERC ¶ 61,271 (Order). San Francisco is concerned with two issues raised by the proposed tariff language directed at implementing the Commission's ordered Marginal Loss Adjustment (Order at ¶¶ 106, 120 and 291.)

1. The Commission determined that "...San Francisco's concerns regarding losses should be addressed by the commission requiring the CAISO to provide that COTP users that import to CAISO who demonstrate that they pay for losses to Western or TANC should receive an appropriate adjustment in the marginal cost component of the price paid for their import." Order at Paragraph 291. The draft tariff language only addresses schedules at the 500 kV bus at Tracy, but not the 230 kV bus. The current language would not reach San Francisco intertie Schedules that import at the Tracy 230kV bus. Therefore, San Francisco proposes that the language in proposed Tariff Section G.1.2 Applicable Marginal Losses Adjustment be amended to address schedules at the 230 kV bus as follows (changes highlighted in bold and italic):

G.1.2 Applicable Marginal Losses Adjustment

For import Schedules to the CAISO Balancing Authority Area at the southern terminus of the California-Oregon Transmission Project at the Tracy substation's 500 kV bus *or 230 kV bus* that (a) use the California-Oregon Transmission Project, and (b) are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California for the use of the California-Oregon Transmission Project, the CAISO will replace the Marginal Cost of Losses at the otherwise applicable source for such Schedules with the Marginal Cost of Losses at the Tracy substation's 500 kV bus *or 230 kV bus, consistent with Schedules....*

2. CAISO's proposed language regarding the marginal loss adjustment in Appendix C, G.1.2 does not properly implement the Commission's order to apply Tracy prices for transactions which are charged losses by Western or TANC (Order at ¶¶106, 120, 291). The CAISO initially properly adjusts the price from Captain Jack to Tracy (as corrected by San Francisco's proposed change above), but the mechanism for reversing the adjustment if the party does not demonstrate that it paid Western or TANC for losses is incorrect. The party need only demonstrate that it paid Western or TANC for losses; the amount that was paid (whether in megawatt hours or dollars) is irrelevant. Only if no payment has been made to Western or TANC for losses for an interval would it be appropriate for CAISO to apply the difference between the Tracy marginal loss price and the Captain Jack marginal loss price, such that the Captain Jack marginal loss price would apply for any interval in which losses were not paid to Western or TANC. San Francisco has reviewed and concurs with the Tariff revisions proposed by SVP to address this issue.

