

IID's Comments on the CAISO's Draft January 22, 2008 Integrated Balancing Authority Area Modeling and Pricing Tariff Proposal

I. Introduction

The Imperial Irrigation District (IID) appreciates the opportunity to provide comments in response to the California Independent System Operator Corporation's (CAISO) January 22 draft tariff proposal regarding the Integrated Balancing Authority Areas (IBAAs). While IID supports improved modeling of the electric grid, it remains concerned that CAISO proposed changes may be premature and not fully thought-out. The proposal is vague, at best.

II. The proposed IBAA Tariff language is ambiguous and places no reasonable checks on CAISO authority.

The most significant problem with the CAISO proposal is that it lacks clarity. Based on the CAISO's recent call with stakeholders on January 24, 2008, it does not appear that IID is included in the initial implementation of the CAISO's IBAA proposal. This, however, is entirely unclear based upon the proposed tariff language and the definition of an IBAA. The proposal is ambiguous and omits important details. Rather than make these details part of its filing, the CAISO states in its proposed modifications to section 27.5.3 of its pending MRTU tariff that "[a]dditional detail regarding the modeling specifications for specific IBAAs is provided in the Business Practice Manuals." However, because the tariff being proposed purports to address IBAA "pricing," details that affect pricing must be set forth in the draft tariff itself, subject to FERC's review, and should not be buried in the BPMs. Pricing is clearly a rate, term, or condition of service and must be filed with the Commission. IID has grave concerns regarding the CAISO's ability to make unilateral changes to pricing without the requisite Section 205 filing. It appears that the CAISO could later unilaterally determine pricing and a hub for IID, without filing rate changes with the FERC, regardless of whether IID's rates and contracts have significantly changed.

This fear of unilateral action by the CAISO is certainly supported by its proposed tariff language (section 27.5.3.3):

When the CAISO is able to identify sub-regions within an IBAA that reflect groupings of resources or locations that are sources of transactions between the CAISO and the IBAA, such as a sub-region within a BAA that is responsible for its own internal balancing of resources and transactions, the CAISO will predefine individual or aggregate System Resources for the sub-regions. (Emphasis added.)

This is further exacerbated by the latest revised draft version of Appendix C, where the CAISO waters down the importance of consultation with the affected balancing authorities by adding that it will establish pricing through *both* consultation and the "examination of" the IBAA system. From a practical standpoint, what does this mean with respect to the CAISO's responsibility to ensure proper consultation? Without some

specifics, this provision is nearly meaningless, notwithstanding the fact that the implications on the IID system and other ratepayers could be significant.

III. Hold Harmless

IID noted in its earlier comments to the CAISO on this subject that it believes this concept should be combined with “hold harmless” provisions to protect IID’s ratepayers (as well as others) from unintended consequences. IID remains concerned that the CAISO has not looked at the potential commercial or even operational impacts of its proposal on adjacent BAs. For this reason, IID believes that some metrics should be developed collaboratively with neighboring BAs.

IV. The proposed IBAA tariff language should not be construed as a compliance filing

On its January 24 IBAA call with stakeholders, the CAISO revealed that it planned to submit its draft IBAA tariff language to FERC as a *compliance filing*. This is does not appear to IID to be merited. First, the CAISO must identify the specific FERC MRTU orders where it directed the CAISO to implement an IBAA concept, both as to modeling and pricing. IID knows of no specific FERC MRTU directives of this nature. Indeed, IID’s reading of the pending MRTU tariff language found in Section 27.5.3, which the CAISO now proposes to alter and expand, merely refers to the CAISO’s limited ability to improve its modeling of so-called embedded and adjacent Control Areas (not specifically IBAA) within its Full Network Model. There is no direct reference whatsoever in section 27.5.3 to IBAA hub pricing. As such, the CAISO should file this, as it would any other new proposal, pursuant to section 205 of the Federal Power Act.

V. A proposed IBAA Tariff filing of February 15 is unnecessary

By way of market notice on January 28, the CASIO indicated that it plans to file its proposed tariff language with the FERC on February 15. In light of the CAISO’s recently-announced delay of MRTU and its reluctance to provide a new Go-Live date, it seems premature and unnecessary to rush this filing. It would appear that a filing date after February 15 would have no negative impact on the MRTU Go-Live date and should be considered.

Respectfully submitted, February 4, 2008.