

**IID Second-Round Comments on the CAISO's December 14, 2007 Integrated
Balancing Authority Area Modeling and Pricing Proposal and January 2, 2008
Partial Loop Intertie Network Configuration for MRTU Paper**

Introduction

The Imperial Irrigation District (IID) appreciates the opportunity to provide additional comments in response to the California Independent System Operator Corporation's (CAISO) January 8 stakeholder meeting to discuss its Integrated Balancing Authority Area (IBAA) Proposal, as well as its whitepaper on Partial Loop Intertie Network Configuration for MRTU (Partial Loop Proposal).

IID provided comments prior to the January 8 meeting, however, most of the concerns expressed in those comments were not fully addressed at that meeting. In fact, the CAISO was either unable or unprepared to address any stakeholder comments on the pricing aspect of their proposal. Therefore, it is our hope that the CAISO will provide additional opportunities to meet and discuss the nature and implications of the proposals. Frankly, based on the time afforded to stakeholders to assess the proposals and the limited data used in the analyses, we remain concerned about the CAISO's plans to implement its IBAA Proposal, as well as some aspects of its Partial Loop Proposal, at the start-up of MRTU. More troubling, the CAISO claims to be able to do so without a filing with the Federal Energy Regulatory Commission (FERC). Although IID is initially (i.e., for MRTU start-up) going to be modeled radially, it is the stated intention of the CAISO to expand this concept to IID and others as soon as possible. If allowed to do so without a FERC filing, IID is worried that it will have little to no say later, when the CAISO finally decides to proceed with other entities it has defined as IBAs. Thus, by extension, IID shares many of the same concerns raised by those immediately impacted.

CAISO Must File its Proposal with the FERC

Since IID believes that the changes being proposed by the CAISO will affect prices, both for IBAA customers as well as others outside the IBAs, the proposals should be filed with the FERC. We made this point in our prior comments as well. However, on further review of the tariff authority cited by the CAISO (MRTU tariff section 27.5.3 and Appendix C) and in light of the discussions held on this topic on January 8, IID reiterates that it does not agree with the CAISO that it does not need to file its proposal. Indeed, there is no reference in any of these tariff sections to so-called IBAs, nor do the provisions that apply to so-called Embedded and Adjacent Control Areas mention anything about aggregated hubs. Appendix C mentions "Trading Hub Price Calculation", "Load Zone Price Calculation" and Scheduling Point Price Calculation," however, there is no mention of an IBAA Hub Price Calculation, as one would expect.

Moreover, it is not just the IBAs that are concerned with the "pricing" impacts of the proposal. For example, PG&E noted in its January 4 comments:

Substantially more analysis is needed from the CAISO with respect to market impacts of the Proposal. The revised IBAA pricing proposal will have impacts to the energy, congestion and loss components of LMP; PG&E requests that the CAISO staff thoroughly assess these impacts and resulting prices under a wide variety of expected and adverse scenarios. In addition, any implications to CRR revenue adequacy should be assessed. Page 2.

It would be inappropriate for the CAISO to proceed without a filing where it has, at best, questionable tariff authority and where stakeholders appear so apprehensive.

Stakeholders Still Need More Data

The CAISO's assertion at the January 8 meeting that because it has posted reams of data, it is somehow absolved of providing greater analytical support is unacceptable. Like most stakeholders, IID does not have the time and staff to conduct its own analyses, particularly given the timeframes the CAISO is imposing. A proper analysis would involve all of the affected parties providing input and reviewing the assumptions being used. Although the CAISO can select samplings to make its point, it should also be able to provide a broader sampling than one day at the request of IID or others. If the CAISO has four months of data, then it should allow stakeholder to select additional dates and times for their own validation.

The CAISO Needs to Complete its Presentation on IBAA Pricing

The CAISO never completed its stakeholder presentation on IBAA pricing due to the need of the presenter to rush off to another meeting. IID expects that the remainder of this presentation will be given at a later date and stakeholders will be allowed to ask additional questions.

Hold Harmless

IID noted in its January 6 comments its view that any treatment imposed upon IID, which deviates from the CAISO's treatment of other BAs, must include "hold harmless" provisions to protect IID's ratepayers from unintended consequences. IID remains concerned that the CAISO has not looked at the potential impacts of its proposal on adjacent BAs and instead has only focused on its own interests. For this reason, IID continues to believe that such protective provisions should be discussed and implemented.

Respectfully Submitted, January 14, 2008