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**Northern California Power Agency Comments
MRTU Release 1 Implementation of Preferred Integrated Balancing Authority Area
Modeling and Pricing Options**

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Northern California Power Agency (“NCPA”) would like to thank the CAISO for the opportunity to provide comments on the MRTU Release 1 Implementation of Preferred Integrated Balancing Authority Area Modeling and Pricing Options. The comments found below are being provided to seek clarification on a specific aspect of the CAISO proposal and do not address all elements of the proposal. The lack of comment regarding other aspects of the proposal should not be interpreted as approval of the proposal.

IBAA and Congestion Revenue Rights

The CAISO is proposing to modify the way in which it models interchange transactions among Integrated Balancing Authority Areas (“IBAA”) within its Market Redesign and Technology Upgrade design. In particular the CAISO is proposing to develop System Resource Aggregations for SMUD/WAPA/MID and TID IBAA’s. NCPA is concerned about what impact this proposal may have on awarded Congestion Revenue Rights (“CRR”), and is providing these comments to clarify the treatment explained in Section 4 of the CAISO discussion paper referred to as MRTU Release 1 Implementation of Preferred Integrated Balancing Authority Area Modeling and Pricing Options.

The CAISO discussion paper states that the “same System Resource pricing aggregation(s) will be used for future CRR Settlements as are used in the Day-Ahead Market, so CRR Settlement will be consistent with how the resource locations are ultimately established for the IBAA’s Settlement of Congestion costs”. The language included within the discussion paper is not sufficiently clear to determine if the proposed pricing aggregation(s) will also be applied to a

Load Serving Entity located within the CAISO control area that has acquired CRRs and a point proposed to be aggregated. For example, if an LSE that is not a IBAA has been allocated annual and long-term CRRs that are sourced at the Tracy Intertie point and sink at the PG&E default Load Aggregation Point (“LAP”), will the value of the CRR instrument be based on the differential between congestion cost computed between the LAP and the Tracy Intertie point or the LAP and the proposed WAPA hub.

Prior nominations of awarded CRRs were based on assumptions that took into consideration the specific mapping of the Tracy Intertie point. The proposed bus distribution factors included within the “WAPA Hub” are not consistent with the Tracy Intertie point mapping used during the CRR nomination process. If the statement mentioned above does not only apply to settlement of IBAA Congestion Costs, but applies to all CRR instruments sourced at the Tracy Intertie point, then the resulting settlement for energy delivered at the Tracy Intertie point (settled at the WAPA Hub price) and the associated CRR (settled at the WAPA Hub price) would be in alignment and the requested hedge would still be effective. If the statement mentioned above only applied to settlement of IBAA Congestion Costs, in which case the existing CRRs that have been selected at the Tracy Intertie point are settled at a different price than the WAPA Hub price, the CRR instruments selected by a Load Serving Entity could be devalued and will not reflect the requested hedge that was expected at the time CRRs were originally selected. Pending clarification NCPA reserves the right to submit additional comments on this issue.