

# **Additional SMUD Comments and Questions on the CAISO's Proposed Tariff for Integrated Balancing Authority Area Modeling and Pricing**

**February 20, 2008**

## **I. Introduction**

As requested by the California Independent System Operator Corporation (CAISO) pursuant to its February 14, 2008 market notice, the Sacramento Municipal Utility District (SMUD) provides these additional comments and questions in response to the CAISO's draft tariff language and draft illustrative Business Practice Manual (BPM) language for the modeling and pricing of the so-called Integrated Balancing Authority Areas (IBAA). SMUD has already provided extensive comments in this process and therefore limits these comments. Further, SMUD, along with other stakeholders, has also posed numerous questions to the CAISO regarding its IBAA proposal and its draft IBAA tariff. SMUD acknowledges the receipt of the CAISO's responses to many of its questions on February 15 and is still in the process of review, however, SMUD does have some additional questions provided below. SMUD hopes to work through these and any additional questions that arise during this pre-filing process.

## **II. The Draft IBAA Tariff is incomplete**

SMUD noted in its February 4 comments that the draft IBAA tariff is vague and incomplete and leaves too much discretion to the CAISO. Since the CAISO has not changed its proposed tariff language to include more details as requested by SMUD (and others), it reiterates these same concerns.

## **III. BPM details specific to pricing should be filed as a tariff**

The CAISO should file the portions of its BPMs that directly reflect pricing, such as its so-called "Intertie Distribution Factors" (IDFs). There are two reasons for this. First, as noted in SMUD's previous comments, including those provided to the CAISO on February 4, IDFs will determine prices and changes to IDFs will directly affect costs to customers. These should be therefore afforded the procedural safeguards of the Federal Power Act. SMUD believes this is an obvious point.

Second, the IDFs should be subject to challenge at the FERC both because they may be wrong in associated weighting and because they may include buses that are entirely inappropriate for the CAISO to include. For example, SMUD has no points of interconnection with the CAISO at either Elverta or Hurley. Thus, these are not "intertie" points. Indeed, neither of these points appears in Service Schedule 1 of the SMUD/CAISO Interconnected Control Area Operating Agreement (most recently reflected in Amendment No. 4). Nevertheless, the CAISO includes them as "Intertie" Distribution Factors. The same can be said of Captain Jack, which is the northern terminus of the COTP line and resides in the SMUD Balancing Authority Area. These fictions should be subject to challenge at the FERC.

#### **IV. Follow up Questions relating to CAISO statements during the February 7 IBAA Stakeholder Call and to the CAISO's February 15 Answers to Stakeholder Questions**

1. During the last stakeholder conference call on February 7, CAISO representatives indicated that the questions and comments it would be willing to entertain would be limited to the means of implementing the IBAA proposal. Several parties had posted questions about whether the CAISO is still willing to consider whether it will modify, postpone or cancel its proposal in light of stakeholder comments it receives. The CAISO's most recent posted answers to stakeholder questions -- answer to question 7-- state that it "is now prepared to seek CAISO Governing Board approval of the IBAA pricing methodology and, if approved, by the Board, to file such pricing methodology at FERC..."

a. Has the CAISO made a final decision to request Board approval of its IBAA pricing methodology?

b. If its decision is final, what is the process by which the Board will be informed of the decision and the substance of the discussion with stakeholders regarding the IBAA proposal?

2. The CAISO's February 15 responses to stakeholder questions indicates that the LMP study model the CAISO relies on for its IBAA pricing proposal is based on a historical period during which TID was located within the CAISO balancing authority area.

a. Stakeholders requested whether, and if so, when, the CAISO would run a revised LMP study model to reflect that TID is no longer in the CAISO balancing authority area. The CAISO stated only that "LMP simulations for the later period after TID formed a separate Balancing Authority Area *would* treat TID as a separate area." (Emphasis added.) This, however, does not respond to the question. Specifically, will the CAISO conduct "LMP simulations for the later period"? If so, when?

b. The CAISO states in its February 15 response no. 9 that "the accuracy of the LMP Study depends critically on the accuracy of the study's inputs in representing actual historical conditions." Is it the CAISO's position that it cannot obtain more recent data representing "actual historical conditions" that postdates TID's departure from the CAISO balancing authority area?

3. CAISO's February 15 response nos. 15 and 16 indicate that it will have the authority to implement a new IBAA -- as well as subregions within an IBAA-- after stakeholder consultation. Is it correct that, in its sole discretion, but after consultation, the CAISO rejects stakeholder objections to inclusion of a new IBAA or new IBAA subregion, the

CAISO believes that no filing at FERC is required to implement a new IBAA or IBAA subregion?

4. The CAISO's February 15 response to no. 18 indicates the CAISO's position that it "has not established bright-line criteria to identify and determine which interconnected BAAs should become IBAA's" and then provides a *nonexclusive* list of "indicative criteria."

a. Does the CAISO plan to list these criteria in the tariff? If not, why not?

b. Is it the CAISO's position that the proposed tariff language would allow it to employ criteria not listed in its February 15 response to identify which interconnected BAAs should become IBAA's?

c. Is it the CAISO's position that the proposed tariff language would allow it to modify its criteria for identifying which interconnected BAAs should become IBAA's without a further FERC filing under Section 205?

d. The CAISO describes its decision to designate the SMUD/Western and TID systems as IBAA's based on "this general set of criteria and the CAISO's subjective analysis of available data." Will future IBAA designations also be made based on the CAISO's "subjective analysis of available data"? If so, how can parties protest to FERC that the CAISO's subjective analysis led to what they may view as an arbitrary IBAA designation?

5. CAISO's February 15 response to no. 27 indicates that the distribution factors it applies "may be different for a new IBAA or may change for an existing IBAA."

a. What criteria does the CAISO employ to determine distribution factors for IBAA's? Are those criteria in its tariff?

Respectfully submitted February 20, 2008