

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator)
Corporation)

Docket No. ER08-1113-04
Docket No. ER08-1113-05

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON THE AUGUST 20, 2009 TECHNICAL CONFERENCE**

The California Independent System Operator Corporation (the ISO) submits these comments pursuant to the Notice of Technical Conference Comment Dates issued on August 21, 2009, and the Notice of Extension of Time issued on September 9, 2009, in connection with the technical conference held on August 20, 2009, in the above-referenced proceeding. With the assistance of the staff of the Federal Energy Regulatory Commission (the Commission), the ISO believes the parties to this proceeding made significant progress towards arriving at a common understanding on the outstanding compliance issues at the technical conference. An important area of consensus is the need for, and the purpose and availability of, the historical information necessary to develop a Market Efficiency Enhancement Agreement (MEEA). In particular, the parties appear to have reached a common understanding on the use of historical data to establish the MEEA pricing structure. In addition, the parties engaged in a robust discussion of what interchange transactions should qualify for MEEA pricing and the ISO's after-the-fact verification procedures.

An important outcome to this process is the list of clarifications provided by the ISO in Attachment A hereto. This list was developed jointly by the ISO, the Transmission Agency of Northern California, Sacramento Municipal Utility District, City of Santa Clara, City of Palo Alto, City of Redding, Modesto Irrigation District and Turlock Irrigation District. The ISO

understands that these parties do not object to these clarifications, but that the parties may comment further on specific items discussed therein.

In these comments, the ISO takes the opportunity to discuss how its proposed verification procedures provide entities that control supply resources in the IBAA with the opportunity to enter into interchange change transactions with the ISO that would qualify for alternative pricing under a MEEA. The ISO believes that any remaining concerns as they may pertain to an individual IBAA entity are best addressed through the MEEA negotiation process. The ISO requests that the Commission approve its May 12, 2009, compliance filing with the modifications that it agrees to make herein and encourage the parties to commence discussions on specific MEEA arrangements.¹

I. COMMENTS

A. The ISO requires historical information to model and price interchange transactions between the ISO and the IBAA.

At the technical conference, the ISO made a presentation regarding the need for historical information to accurately model and price interchange transactions under a MEEA. Attachment B hereto is copy of the ISO's presentation, which the ISO filed in this proceeding on September 10, 2009. As explained at the technical conference, the ISO's proposal to obtain historical information from a potential MEEA signatory, including hourly metered generation and load will enable the ISO and the MEEA signatory to agree upon a set of weighted distribution factors for a specified set of resource locations, which will be used to calculate the MEEA price that will

¹ Attachment A hereto provides that the ISO is willing to make necessary tariff changes to reflect issues it clarified at the August 20th technical conference. The ISO proposes to make any such necessary changes as directed by the Commission on further compliance.

apply to schedules and bids supported by resources identified in a MEEA.² This information will also allow the ISO and a potential MEEA signatory to assess the pattern of power flows between the IBAA system and the ISO to improve the modeling of the resources identified in the MEEA. Based on the discussion at the technical conference, the ISO believes that there is no disagreement concerning the need for this information to be provided in the process of establishing a MEEA. Accordingly, the Commission should approve the categories of information identified in the ISO's proposed tariff section 27.5.3.2.1 without further modification.

B. The information required to establish a MEEA is readily available.

In its proposed tariff provisions, the ISO has identified several categories information necessary to verify whether resources identified in a MEEA actually operated to support an interchange transaction between the ISO and the IBAA.³ These categories of information are readily available to entities owning or controlling resources within the IBAA. In prior pleadings

² See Attachment B hereto, ISO presentation at slide 4.

³ See proposed tariff section 27.5.3.2.2, which identified the following categories of information:

- (a) total hourly metered generation owned or under the control of the MEEA signatory within the IBAA;
- (b) total hourly metered load served by the MEEA signatory within the IBAA;
- (c) total gross Energy scheduled by the MEEA signatory into the IBAA from other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).
- (d) total gross Energy purchases made by the MEEA signatory within the IBAA, including:
 - (i) purchases from third parties, and
 - (ii) exchanges acquiring Energy from third parties;
- (e) total gross Energy sales made by the MEEA signatory within the IBAA, including:
 - (i) sales to third parties, and
 - (ii) exchanges providing Energy to third parties;
- (f) total gross Energy sales by the MEEA signatory out of the IBAA into other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).

and at the technical conference, parties raised concerns with the ISO's proposed tariff section 27.5.3.2.2 that requires the following:

Data submitted shall meet all Settlement Quality Meter Data requirements as specified in the CAISO Tariff Section 10.3.2.2. The data shall be formatted to comply with one of the CAISO's existing meter data exchange formats, Meter Data Exchange Format or Comma Separated Value file format.

Parties appear to be concerned that this provision may create unintended consequences related to the provision of meter data under a MEEA. At the technical conference, the ISO explained that it requires data in a format that is compatible with its business systems. The ISO also clarified that a MEEA signatory does not need to adhere to all the requirements of Section 10 of the ISO Tariff to meet the requirement that they provide Settlement Quality Meter Data. In other words, there is no expectation that the MEEA signatory install any special metering technology to provide the requested data. Instead, the type of data used by the MEEA signatory for its own business purposes will be sufficient for the ISO to use in verifying whether a resource identified in a MEEA actually supported an interchange transaction between the ISO and IBAA, so long as the data is provided in a format compatible with the ISO's market systems. During the technical conference, the parties protesting this requirement did not offer any evidence that this requirement is too onerous or impossible to provide. Accordingly, the ISO is willing to modify the tariff language in proposed tariff section 27.5.3.2.2 to read as follows:

Data submitted shall either meet all Settlement Quality Meter Data requirements as specified in the CAISO Tariff Section 10.3.2.2 or be consistent with metered data used by the MEEA signatory for its own business purposes, so long as the data is provided in a format that is compatible with the CAISO systems. The data shall be formatted to comply with one of the CAISO's existing meter data exchange formats: either Meter Data Exchange Format or Comma Separated Value file format.

C. The ISO’s proposed mechanism to verify after-the-fact whether resources identified in a MEEA support an interchange transaction provides an opportunity for IBAA entities to receive alternative pricing.

1. The ISO clarifies that only the unsupported portions of the interchange transaction quantities are subject to the IBAA default price.

The technical conference allowed for a productive discussion concerning the ISO’s proposed after-the-fact process to verify whether a resource identified in a MEEA in fact supported an interchange transaction. By way of example, the ISO clarified that it does not intend to disqualify all imports/exports from the IBAA to the ISO from receiving the MEEA price if the MEEA entity simultaneously engages in purchases/sales from other Balancing Authority Areas, or within the IBAA. Instead, the ISO intends to apply MEEA pricing to those volumes that it can verify were actually supported by resources identified in a MEEA. To clarify the tariff language as it pertains to this issue, the ISO agrees to make the following changes on compliance if ordered by the Commission to clarify these points in Sections 27.5.3.2.2.1 and 27.5.4.2.2.2 as follows:

27.5.3.2.2.1 Application of MEEA-Specific LMPs for Import Bids into the CAISO Balancing Authority Area Cleared through the CAISO Market.

The CAISO shall verify the portion of the resources identified in an MEEA, if any, supported an Import Bid submitted and cleared through the CAISO Market submitted pursuant to the MEEA. The CAISO will provide MEEA-specific LMPs as follows:

(a) MEEA-specific LMPs will apply only to that portion of Import Bids to the CAISO Balancing Authority Area where the CAISO can verify that the resources identified in the MEEA supported the Import Bid submitted and cleared in the CAISO Market. The CAISO will verify whether the MEEA resources supported the Import Bid to the CAISO Balancing Authority Area consistent with the MEEA using the data provided as required in Section 27.5.3.2.2. The verification will evaluate: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than those resources identified in the MEEA, including

imports from an external Balancing Authority Area (exclusive the imports from CAISO Balancing Authority Area), if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market. The CAISO cannot verify that resources identified in the MEEA were dispatched to support the Import Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also importing from an external Balancing Authority Area (exclusive of the CAISO Balancing Authority Area) because the MEEA Import Bid or portion thereof may be supported by other resources not identified in the MEEA. To the extent that the CAISO determines that the MEEA signatory operates resources other than resources identified in the MEEA, including imports from an external Balancing Authority Area (exclusive of imports from the CAISO Balancing Authority Area), to implement the Import Bid, that portion of the Schedule or Dispatch Instruction will not receive the MEEA-specific LMP. Resources not identified in the MEEA include, but are not limited to, resources from an MEEA signatory's purchases and exchanges within the IBAA and an MEEA signatory's purchases from and exchanges with other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area). (b) If the CAISO verifies as described above in (a) that the resources identified in the MEEA supported the Import Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Import Bid or portion thereof will be settled at the MEEA-specific LMP. If the CAISO cannot verify as described above in (a) that the resources identified in the MEEA supported the Import Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the portion of the Import Bid that cannot be verified or portion thereof as discussed above will be settled at the default IBAA price specified in Appendix C, Section G.1.1

27.5.3.2.2.2 Application of MEEA-Specific LMPs for Export Bids from the CAISO Balancing Authority Area Cleared through the CAISO Market.

The CAISO shall verify the portion of the resources identified in an MEEA, if any, that were dispatched to implement supported an Export Bid submitted and cleared through the CAISO Market. The CAISO will provide MEEA-specific LMPs as follows:

(a) MEEA-specific LMPs will apply only to that portion of Export Bids from the CAISO Balancing Authority Area where the CAISO can verify that resources identified in the MEEA supported the Export Bid submitted and cleared in the CAISO Market. The CAISO will verify whether the MEEA resources supported the Export Bid from the CAISO Balancing Authority Area consistent with the MEEA using the data provided as required in Section 27.5.3.2.2. The verification will evaluate: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, including exports to an external Balancing Authority Area (exclusive exports to the CAISO Balancing Authority Area), if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market. The CAISO cannot verify that resources identified in the MEEA were dispatched to support the Export Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also exporting to an external Balancing Authority Area (exclusive of the CAISO Balancing Authority

~~Area) because the MEEA Export Bid or portion thereof may be supported by other resources not identified in the MEEA.~~ To the extent that the CAISO determines that the MEEA signatory operates resources other than resources identified in the MEEA, including exports to an external Balancing Authority Area (exclusive exports to the CAISO Balancing Authority Area), to implement the Export Bid, that portion of the Schedule or Dispatch Instruction will not receive the MEEA-specific LMP. Resources not identified in the MEEA include, but are not limited to, resources from an MEEA signatory's sales and exchanges within the IBAA and an MEEA signatory's sales to and exchanges with other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area). (b) If the CAISO verifies as described above in (a) that the resources identified in the MEEA supported the Export Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Export Bid or portion thereof will be settled at the MEEA-specific LMP. If the CAISO cannot verify as described above in (a) that the resources identified in the MEEA were dispatched to implement the Export Bid associated with the submitted and cleared Schedule or Dispatch Instruction, the portion of the Export Bid that cannot be verified as discussed above ~~or portion thereof~~ will be settled at the default IBAA price specified in Appendix C, Section G.1.1.

The sentences the ISO proposes delete appear to have created some confusion as to whether the application of the verification requirement based on the imports or exports would actually prohibit MEEA pricing for the total MEEA quantities. In other words, these sentences could be interpreted to suggest that if the ISO finds that the MEEA entity is importing from another balancing authority area, none of the MEEA quantities would be eligible for MEEA pricing for that interval. That is not the case. Instead, the sentences tried to capture the requirement that to the extent that the ISO finds that an interchange transaction is not supported by a MEEA resource and is instead supported by other resources, which may include imports to or exports from other balancing authority areas, the ISO will not be able to verify that these portions are supported by MEEA resources. Deletion of these statements should help to alleviate the greatest concerns expressed during the technical conference. The additional clarifications provided in each section also make it clear that in the event that the ISO cannot determine that a portion of an interchange transaction is actually supported by resources identified in a MEEA, only those portions of the transaction will be subject to the default IBAA price. The ISO further proposes to

clarify that resources other than resources identified in the MEEA may include an import from or an export to another balancing authority area.⁴

Below the ISO discusses how its proposed verification procedures provide various IBAA entities the opportunity to enter into interchange change transactions with the ISO under a MEEA.

2. The ISO verification proposal allows IBAA Entities to obtain MEEA pricing for resources they own or control within the IBAA.

In its presentation at the technical conference, the ISO emphasized that entities must own or control supply resources within the IBAA in order to enter into a MEEA. This requirement is consistent with the Commission's September 19, 2008 and March 6, 2009 Orders in which the Commission approved limiting the eligibility for executing a MEEA to any entity owning or controlling supply resources within the IBAA.⁵ The ISO explained how entities controlling resources within the IBAA may obtain MEEA specific pricing by providing after-the-fact information to verify that the resources identified in the MEEA actually operated to support the

⁴ ISO notes the changes proposed in these Comments are in addition to the clarifications sought in its April 6, 2009 Request for Rehearing and Request for Clarification or in the Alternative Rehearing (April Request) and are not intended to supersede those proposed clarifications, still pending before the Commission. In its April Request, the ISO explained that if the Commission grants the ISO's request for clarification, the ISO will place the following additional provision in a new section 27.5.3.2.5 in the Tariff:

Based on the real time data in the CAISO's EMS and data provided to CAISO pursuant to a MEEA, interchange transactions pursuant to a MEEA will be settled using the default IBAA price specified in Appendix C, Section G.1.1 in the following circumstances:

(a) in any period in which the MEEA signatory is: (i) selling (importing) energy to the CAISO system, *and* (ii) buying energy that originates from other BAAs (exclusive of the CAISO BAA) that is delivered to the SMUD-TID IBAA. The default IBAA pricing will apply only to that amount of the sale (import) to the CAISO system equal to the amount by the purchase (import) from other BAAs (exclusive of the CAISO BAA) that is delivered to the SMUD-TID IBAA;

(b) in any period in which a MEEA signatory is: (i) buying (exporting) energy from the CAISO system, *and* (ii) selling energy for export from the SMUD-TID IBAA to other BAAs (exclusive of the CAISO BAA). The default IBAA pricing will apply only to that amount of the purchase (export) from the CAISO system equal to the amount by the sale (export) from the SMUD-TID IBAA to other BAAs (exclusive of the CAISO BAA); and

⁵ *California Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271 (2008) ("September 2008 Order") at P 191; *California Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,207 (2009) ("Order on Compliance") at PP 28-29.

interchange transaction.⁶ This after-the-fact verification process is critical to preserve the IBAA modeling and pricing objectives of the IBAA proposal. The primary objective of the IBAA process is to avoid circumstances in which the ISO would pay a premium for interchange schedules erroneously modeled as having a favorable impact on transmission constraints internal to the ISO balancing authority area when in fact the generation supporting those interchange schedules does not have such a favorable impact. If the generation from within the IBAA does not in fact have a favorable impact on congestion, then the ISO may still be required to redispatch other resources in real time to manage transmission congestion -- at an additional cost to ISO market participants.⁷ By verifying that a resource or resources identified in a MEEA (or a portion thereof) were dispatched to support an interchange transaction, the ISO can apply an accurate location marginal price to such interchange transaction. In the case of interchange transactions between the ISO and the IBAA (sales to, or purchases from, the ISO balancing authority area), the after-the-fact verification ensures that ISO market participants actually receive the favorable congestion management impacts that the MEEA price is intended to compensate. Otherwise, the ISO would be forced to pay a premium for interchange transactions that have the same congestion impact as interchange transactions sourced from north of Captain Jack. ISO market participants should not be paying a premium for transactions that do not provide commensurate benefits.

The ISO's proposed verification procedure for imports to the ISO balancing authority area will work as follows: 1) the MEEA entity submits after-the-fact information on its supply and demand resources as specified in the ISO tariff for the intervals in which the MEEA entity seeks the MEEA price to apply; 2) the ISO verifies that MEEA resources, in fact, were

⁶ Attachment B, ISO presentation at slides 6-7.

⁷ See *September 2008 Order*, at PP 40-41.

dispatched to implement the import; 3) the ISO verifies that other resources, either other resources in the IBAA not identified in the MEEA or imports, were not dispatched to implement the interchange transactions. If based on after-the-fact information the ISO cannot verify that the resource identified in the MEEA (or an applicable portion thereof) was actually dispatched to implement the import interchange transaction, then the ISO applies the default IBAA price to the unverifiable portions of the import transaction and the MEEA price to the verifiable portions of the interchange transaction.

As the ISO explained during the technical conference, it is important to verify without ambiguity that the resources listed in the MEEA (or the applicable portion thereof) in fact were dispatched to implement the interchange transaction. Any ambiguity about the supply source for an interchange transaction creates a risk that the same congestion management challenges the ISO sought to address through the IBAA will persist. Although a MEEA resource might be operating during the interchange transaction interval, to the degree that the resource is being used to serve load within the IBAA, without the demonstration of an incremental change in supply from the MEEA resource to support the interchange transaction, the obvious conclusion is that the interchange transaction to the ISO balancing authority area is supported by a resource other than the MEEA resource. Such non-MEEA resources may include imports from north of Captain Jack. In order to verify that resources subject to an MEEA actually were the resources dispatched to implement an interchange transaction it is not sufficient to simply verify the output of such resources. Rather, the ISO must also know: 1) whether the MEEA entity is engaging in purchases or sales within the IBAA, and 2) whether the MEEA entity is engaging in purchases or sales between the IBAA and other BAAs (exclusive of the ISO BAA). The after-the-fact data requested by the ISO will enable the ISO to verify that the combined load, import, generation

and transactions are such that the MEEA interchange transaction is in fact supported by generation coming from the MEEA resource. Absent this necessary information, the ISO cannot conclude that the MEEA generators, even if generating, support the interchange transaction. For such circumstances, the IBAA default price is the appropriate price for such portions. The ISO has already demonstrated that the just and reasonable price for such flows is the IBAA default price.⁸

Effectively, in order for a MEEA signatory to obtain alternative pricing under a MEEA for imports to the ISO, the MEEA signatory needs to 1) be using its MEEA resources to generate power in excess of its native load and bilateral obligations, and 2) be able to demonstrate that it is supporting the interchange transaction with the ISO with the supply resources identified in the MEEA, as opposed other supply resources within its portfolio.⁹

3. Data provided at the technical conference by the IBAA entities reflects that the ISO verification proposal provides an opportunity for entities to receive MEEA pricing

At the technical conference, the ISO explained that its verification procedure provides various IBAA entities with the opportunity to schedule interchange transactions with the ISO that would qualify for alternative pricing under a MEEA. The data presented by conference participants indicates that alternative pricing could have been applicable to interchange transactions scheduled by several entities controlling supply resources within the IBAA.¹⁰

⁸ *September 2008 Order* at PP 82-92; *Order on Compliance* at P 130; and *California Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,103 (2009) (“*Order on Rehearing and Clarification*”) PP 58-70.

⁹ For exports from the ISO to the IBAA, the ISO also reviews a MEEA signatory’s supply and demand portfolio to verify whether a resource identified in the MEEA reduced operation or a MEEA signatory’s load within the IBAA increased to support an interchange transaction.

¹⁰ *See* Attachment C hereto - Presentation of Transmission Agency of Northern California, Sacramento Municipal Utility District, City of Santa Clara, City of Palo Alto, City of Redding, Modesto Irrigation District and Turlock Irrigation District (collectively IBAA Entities”), dated August 20, 2009.

The ISO's proposed verification procedures for MEEA transactions provide entities such as Western Area Power Administration, the City of Santa Clara and the City of Palo Alto¹¹ with the opportunity to import power into the ISO Balancing Authority Area that would qualify for alternative pricing under a MEEA. Based on the information provided during the technical conference, these entities appear to own or control generation within the IBAA. Control of generation in some cases would be feasible through the contractual arrangements creating the right to receive generation within the IBAA. For example, the IBAA entities claim that Western has up to 2000 MW of capacity in the IBAA.¹² The ISO is informed that Western's project loads within the IBAA are far less than its IBAA generation capacity in some months.¹³ The ISO's proposed verification process would permit Western to enter into interchange transactions that would qualify for alternative pricing under a MEEA in those settlement intervals when it has excess generation.

The City of Santa Clara and City of Palo Alto do not serve load in the IBAA because their load is located within the ISO balancing authority area. However, these entities indicate that they serve their load through imports from Western resources located in the IBAA. To the extent Santa Clara or Palo Alto, or other similarly situated entities, demonstrate that they own or control supply resources within the IBAA, they could qualify for alternative pricing under a MEEA. Therefore, to the extent these entities can make arrangements for the provision of the requested historical and verification data discussed above and in the ISO tariff, their resources

¹¹ By not including all potential parties in this discussion, the ISO does not intend to suggest that others may not qualify for MEEA pricing. Rather, the specific discussion is included to illustrate the feasibility of the MEEA pricing for the specified parties based on the data these parties have provided.

¹² *Id.* at slide 18.

¹³ See <http://www.wapa.gov/sn/marketing/forecasts.asp> where Western's Base Resource and 10-Day CVP Corp Forecasts reflect that CVP Peak Project Use Demand is only a fraction of forecast CVP generation in some months.

actually dispatched to implement the interchange transactions between the IBAA and the ISO balancing authority area are eligible to receive the MEEA-specific prices. The ISO understands that such interchange transactions can be sourced from a portfolio of resources within Western. The ISO believes that the proposed tariff language, with the further amendments proposed herein, would permit interchange transactions supported by such a portfolio of resources to qualify for alternative pricing so long as sufficient after-the-fact data on such portfolio resources is provided to allow the verification discussed above.

The data presented at the technical conference also reveals that the Turlock Irrigation District also would have qualified for MEEA pricing on sales to the ISO during a number of hours in July 2009. At the technical conference, Turlock represented it had over 400 MW of internal generating capacity within the IBAA. During July 2009, Turlock's load rarely exceeded 350 MW.¹⁴ From the IBAA Entities' presentation,¹⁴ it appears that Turlock met its load obligation with a combination of internal generation and northern imports using the California Oregon Transmission Path ("COTP") and that during a bulk of hours in July, Turlock's generation far exceeded its COTP imports and interchange with the ISO.¹⁵ Moreover, in a number of hours Turlock's interchange with the CAISO exceeded its COTP imports, so in these hours, Turlock could have qualified for MEEA pricing on a portion of this interchange, and Turlock could have made additional sales to the ISO at favorable prices under a MEEA from resources under its control within the IBAA.

SMUD has not presented sufficient data to allow an assessment of whether SMUD would have been able to make sales under a MEEA at an alternative price.

¹⁴ Presentation of IBAA Entities at slide 15.

¹⁵ *Id.*

C. The IBAA structure does not penalize IBAA entities for operating their generation.

At the technical conference, various entities described the IBAA default price for imports to the ISO as a penalty price that provides a signal not to operate generation within the IBAA.¹⁶ This characterization is incorrect. As already determined by the Commission, the IBAA default prices are just and reasonable prices. As explained above, parties have the opportunity to enter into a MEEA and demonstrate that their interchange transaction is actually supported by a resource located within the IBAA, in which case they would qualify for MEEA pricing.

The ISO's markets appropriately should compensate IBAA generation actually supporting an interchange transaction with the ISO for the value it provides in relieving transmission constraints internal to the ISO. However, it is not reasonable to expect that the ISO's market participants should pay a premium for interchange transactions that do not relieve those transmission constraints and, in fact, in some cases may actually require the ISO to redispatch high cost internal generation in real time to manage the congestion, thereby creating additional uplift for ISO demand. At the technical conference, the ISO provided a set of examples to demonstrate when it is appropriate pay a MEEA price as opposed to a default price for interchange transactions between the IBAA and the ISO.¹⁷

In short, unless the ISO can verify that a resource located within the IBAA and subject to a MEEA was actually dispatched to implement an interchange transaction (or a portion thereof), the ISO should not pay a premium for that power because the ISO will likely need to back down its own low cost generation or low cost imports to accommodate the interchange transaction. As

¹⁶ *Id.* at slide 16.

¹⁷ Attachment B hereto, ISO presentation at slides 8-12.

a result, the default price is not a penalty, but an accurate LMP that correctly measures the value the interchange transaction actually provides the ISO's markets in relieving congestion.

From the discussion at the technical conference, the critical point of contention from these entities' perspective is the level of revenues they can earn from off-system sales. However, the possibility that the verification process will not permit the IBAA entities to earn a larger profit on their off-system sales by selling power imported from the Pacific Northwest at an alternative price is not an appropriate criteria that should be applied to determine whether the verification requirement is just and reasonable. Rather, MEEA pricing should reflect the actual value and impacts of the transaction on the ISO grid just as all other pricing under LMP markets strives to achieve. It is entirely just and reasonable that, depending on market and system conditions, the efficient market outcome is one where ISO price signals do not induce sales of power to the ISO from IBAA entities.

D. Any possible expansion of volumes eligible for MEEA pricing as discussed at the August 20 Technical Conference are best addressed in the context of a MEEA.

At the technical conference, representatives of SMUD argued that customers of COTP use that transmission facility to serve native load within the IBAA and that the ISO should accept that assertion as sufficient to resolve the ambiguity of the location of resources supporting an interchange transaction with the ISO when a MEEA signatory is simultaneously importing power from the Pacific Northwest and operating its generation. While the ISO has considered methods to address this concern, based on the information it currently has, it has not found an alternative approach that does not undermine the principles of IBAA.

The ISO believes as discussed above, that based on the information presented at the technical conference IBAA entities are able to obtain an alternative MEEA price for at least

some of their interchange transactions with the ISO. In addition, the ISO believes that there is nothing in the proposed tariff language that would prevent the parties from arriving at an alternative arrangement through MEEA negotiations based on any additional information the MEEA entity is able to provide, beyond the minimum requirements described in the tariff, such that the ISO would be able to verify that MEEA generation is actually supporting the interchange transactions. Therefore, the ISO believes that it is crucial that the IBAA entities interested in pursuing MEEA pricing begin discussions with the ISO so that any such possible arrangements may be explored based on their specific facts and circumstances. The current tariff construct permits outcomes and allows the parties to find a mutually agreeable way to balance the data requirements and to account for generation internal to the IBAA at time when an entity is simultaneously importing from the Pacific Northwest. The ISO will file such contractual provisions with the Commission for approval under Section 205 of the Federal Power Act. The ISO is concerned that without more specific exchange of ideas and discussions, any potential tariff provisions may be too speculative and undermine the IBAA principles. Therefore, the Commission should accept the proposed compliance tariff language with the further modifications proposed herein, and encourage the parties to begin such MEEA discussions as soon as possible.

E. The ISO's proposal is consistent with similar rules governing the same market to non-market pricing issues established by the PJM Interconnection.

Throughout this proceeding, the ISO has explained that it developed the IBAA structure and MEEA proposal in the context of similar issues facing ISO and Regional Transmission Operators in Eastern markets. For example, the ISO's approach is consistent with similar market

rules developed by PJM Interconnection.¹⁸ At the technical conference, the ISO described the current status of PJM Interconnection's pricing rules for interchange transactions, which have been approved by the Commission as just and reasonable.¹⁹ These pricing rules require IBAA-type entities to provide a greater level of data to qualify for alternative pricing than the ISO is requesting under a MEEA. PJM's market rules also disqualify an entity (with limited exceptions) from alternative pricing during any hour in which the entity engages in: (a) purchases from other external areas outside of its balancing authority area or sub-area at the same time that energy sales from its balancing authority area or sub-area are being imported into PJM; or (b) purchases of energy from PJM for delivery into its balancing authority area or sub-area at the same time sales from its balancing authority area or sub-area are being made to other external balancing authority areas.²⁰ As the ISO discussed at the technical conference, PJM's rules are more stringent than what the ISO has proposed in this proceeding. As the ISO argued in earlier pleadings, the Commission's orders addressing interface pricing in PJM should guide the Commission's orders with respect to the IBAA and MEEA proposal.

II. CONCLUSION

The technical conference provided a forum for highly productive discussions to bring this matter to a fair resolution. To this end, the ISO is pleased to present a list of clarifications in Attachment A on which it believes parties reached a common understanding at the technical conference. The ISO developed this list of issues with the IBAA entities identified above. In addition, the ISO is hopeful that through additional discussions with specific parties in the

¹⁸ See e.g. Prepared Testimony of Dr. Eric Hildebrandt dated June 17, 2008 at pp. 11, 17-18, Exhibit ISO-2 to ISO's June 17, 2008 IBAA filing; Prepared Testimony of Dr. Scott M. Harvey dated June 17, 2008 at pp. 25, 31-40 Exhibit ISO-3 to ISO's June 17, 2008 IBAA filing.

¹⁹ ISO presentation at slides 13-14.

²⁰ See PJM Operating Agreement, at sections 2.6A(b)(1)(B) and 2.6A(b)(2)(B); and PJM Tariff at sections 2.6A(b)(1)(B) and 2.6A(b)(2)(B).

context of MEEA negotiations, it can identify mutually agreeable ways expanding the volumes of interchange transactions that may qualify for MEEA pricing by reducing the ambiguity that would otherwise require the disqualification of certain interchange volumes. The Commission should accept the proposed tariff language as further modified herein and encourage the parties to commence discussions under the context of a MEEA.

Respectfully submitted,

/s/ Roger E. Smith

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Attorneys for the California Independent
System Operator Corporation

Dated: September 15, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 15th day of September 2009.

/s/ Jane Ostapovich
Jane Ostapovich

ATTACHMENT A

September 15, 2009

**THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION'S
POST TECHNICAL CONFERENCE
STATEMENT OF LIMITED MEEA CLARIFICATIONS
DOCKET NO. ER08-1113-004, *et al.***

At the August 20, 2009 Integrated Balancing Authority Area (“IBAA”) Technical Conference on Market Efficiency Enhancement Agreement (“MEEA”) issues, certain clarifications were provided that aided the participants’ understanding of the California Independent System Operator Corporation’s (“ISO”) intended meaning of certain provisions in its proposed MEEA tariff. Certain fundamental issues remain in dispute, but the ISO is willing to make necessary tariff changes to reflect the areas that were clarified. The ISO and all participants will be filing comments and reserve all rights with respect to all matters pending before the Federal Energy Regulatory Commission (“FERC”) in this proceeding.

MEEA Eligibility

- ISO agrees that a MEEA “resource” may consist of a portfolio of resources located within the IBAA. As noted below, the term “resources” includes load, or generation that could be backed down.
- Entities controlling a portfolio of resources within the IBAA are eligible to enter into MEEAs for interchange transactions utilizing portfolios of resources.
- Western Base Resource Customers have, for purposes of MEEAs, sufficient control over Western’s Base Resource portfolio of resources to be eligible to enter into MEEAs for interchange transactions utilizing the Western base Resource portfolio of resources.

Historical information to establish an MEEA

- The ISO proposes to obtain historical information from a potential MEEA signatory, to enable the ISO and the MEEA signatory to agree upon a set of weighted distribution factors for a specified set of resource locations, which will be jointly used to calculate the MEEA price that will apply to schedules and bids submitted for resources identified in a MEEA. This information will also allow the ISO and potential MEEA signatory to assess the pattern of power flows between the IBAA system and the ISO system to support joint modeling of the resources identified in the MEEA.

MEEA Pricing and Validation

- MEEA pricing will typically be based on historical average distribution of generation among the portfolio of MEEA resources, using negotiated generation distribution factors, subject to revision to reflect changes in usage. It is possible

that the ISO and a MEEA signatory could negotiate other structures, if a MEEA signatory establishes that a different structure more accurately identifies the actual location of resources within the IBAA that support transactions with the ISO. The ISO's proposal to calculate the MEEA price by applying a set of weighted distribution factors for a specified set of generator locations to the locational marginal prices reflecting those locations will not require that a specific generator within the MEEA portfolio be associated with a specific MEEA customer.

- Generation distribution factors will be negotiated as part of the MEEA negotiation process.
 - For portfolios of resources, there will be an average/blended price methodology based upon an agreed set of weights for the resources that comprise the portfolio.
 - Historical data of operation of the resources comprising the portfolio will be used to determine the weighting of the impact of the units on the ISO for purposes of MEEA pricing.
 - The distribution factors may reflect seasonal, peak vs. off-peak or other usage and may be periodically revised through bilateral negotiations using updated historical data of operations of the resources comprising the portfolio.
- As used in Section 27.5.3.2.2.2, the term “resources” includes load, or generation that could be backed down, within the IBAA, and does not include resources located within the ISO.
- MEEA transactions can be scheduled under specific MEEA Resource IDs. For example, a bid by SMUD to sell energy from SMUD's portfolio of resources under a MEEA (not an import from Captain Jack) to the ISO would be scheduled using a specific MEEA Resource ID.

MEEA Data Format

- A MEEA signatory does not need to provide Settlement Quality Meter Data, as such data is discussed in Section 10 of the Tariff. The ISO will accept meter data used by the MEEA signatory for the MEEA signatory's own business purposes so long as the data is in a format compatible with the ISO's market systems.

ATTACHMENT B



Integrated Balancing Authority Area

FERC Technical Conference
Docket ER08-1113

Mark Rothleder,
Principal Market Developer
California ISO

Dr. Scott M. Harvey,
Director, LECG

August 20, 2009

The IBAA structure uses Locational Marginal Pricing to manage congestion on the ISO grid.

- The IBAA structure seeks to develop accurate LMPs for interchange transactions
- LMPs should reflect the location of the change in generation output supporting the transaction and the impact of the associated power flows on binding transmission constraints on the ISO grid

The IBAA structure provides for default and alternative pricing.

- The IBAA structure provides for default pricing for interchange transactions between the ISO and IBAA
- Alternative pricing is available under a Market Efficiency Enhancement Agreement (MEEA) for entities that seek a price that reflects the actual location of the external resource supporting an interchange transactions.

The ISO requires historical and network information to negotiate a MEEA.

- Hourly metered generation data
 - Allows ISO and IBAA entity to develop weighted distribution factors for LMPs that apply to schedules and bids submitted for resources identified in a MEEA
- Hourly metered load data
 - Allows ISO and IBAA entity serving load to assess pattern of power flows in the IBAA system for accurate modeling of resources identified in a MEEA
- Injection and withdrawal points for MEEA resources
 - Allows ISO and IBAA entity to specify the location of resources identified in a MEEA

The ISO requires after-the-fact information to verify the operation of a MEEA resource.

- The ISO must verify that output of external resources identified in a MEEA increased or decreased sufficiently to support an interchange transaction
- A MEEA signatory need only submit this information in the settlement interval for which it seeks alternative pricing
- Under its tariff the ISO will use the information solely for the purpose of settling interchange transactions

Supply information is necessary to verify whether a MEEA resource operated to support an interchange transaction.

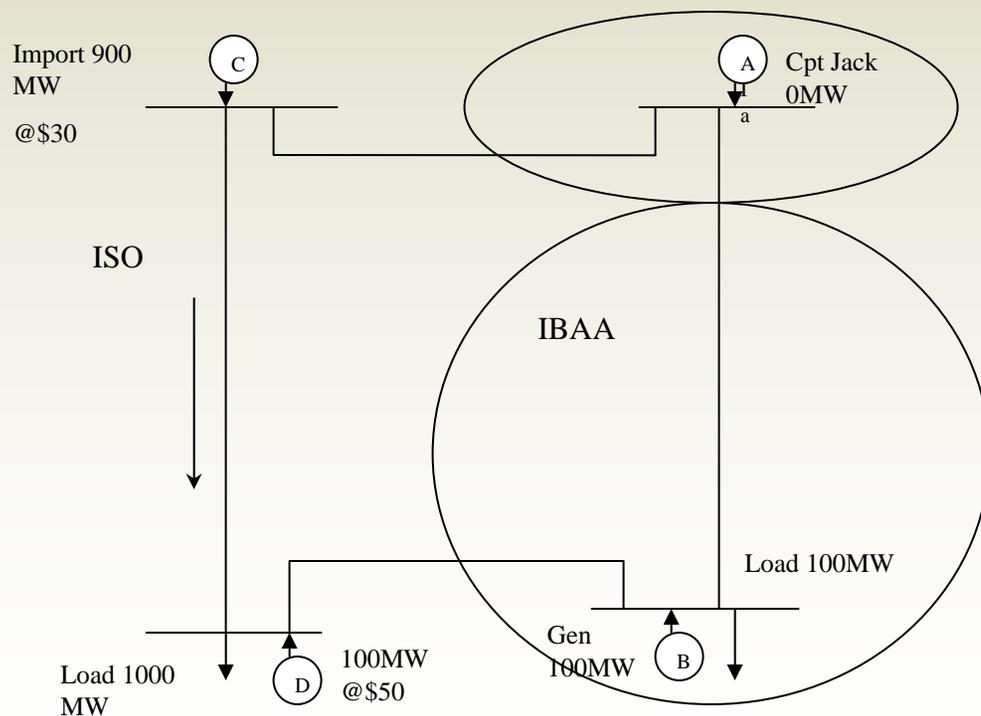
- Metered generation is necessary to determine if there is sufficient level of MEEA generation to support an interchange transaction
- Imports from other Balancing Authority Areas are necessary to determine if there are other resources that may be supporting an interchange transaction
- Purchases or exchanges within the IBAA are necessary to determine if there are other resources that may be supporting an interchange transaction

Demand information is necessary to verify the operation of a MEEA resource to support an interchange transaction.

- Metered load identified in an MEEA is necessary to determine if generation identified in an MEEA is serving a purpose other than supporting an interchange transaction
- Exports to other Balancing Authorities Areas also necessary to determine if the generation identified in an MEEA is serving a purpose other than supporting an interchange transaction
- Sales or exchanges within the IBAA if generation identified in an MEEA is serving a purpose other than supporting an interchange transaction

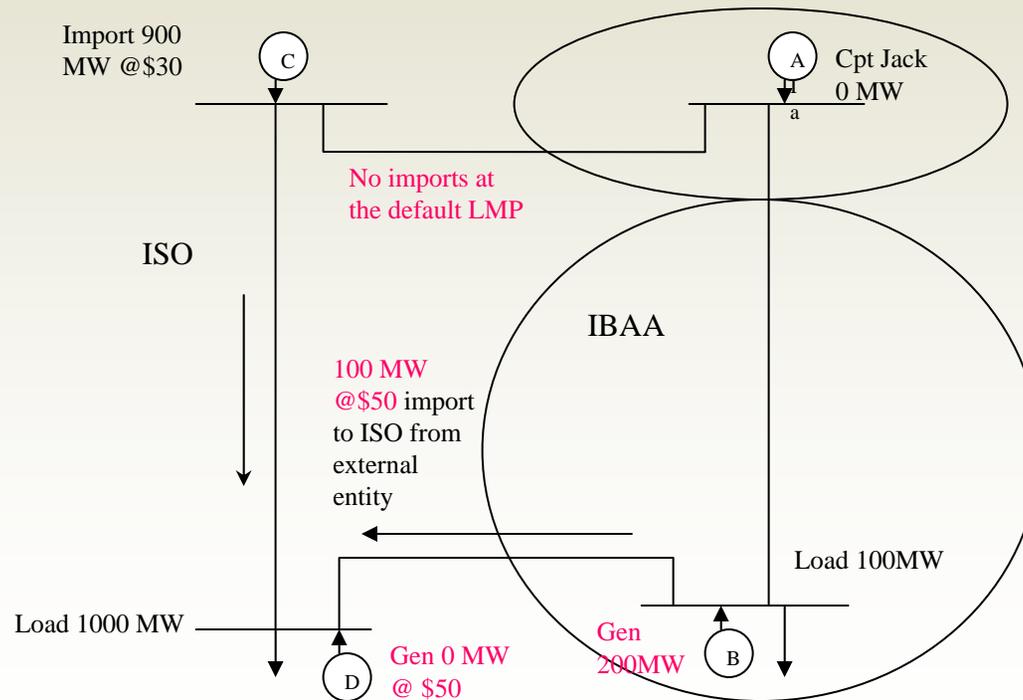
After-the-fact verification is necessary to preserve the IBAA modeling and pricing objectives

- This diagram reflects load and generation in the IBAA, low-cost imports into ISO and high-cost generation in the ISO



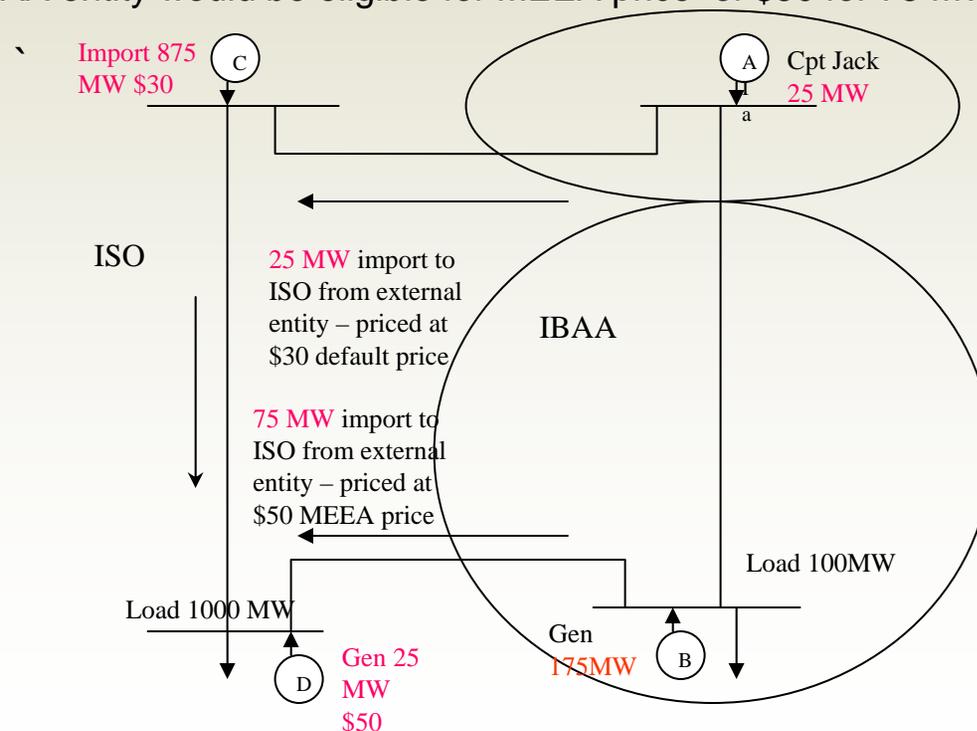
After-the-fact verification is necessary to preserve the IBAA modeling and pricing objectives

- IBAA entity generates 200 MW and imports 100 MW from the IBAA to the ISO pursuant to a MEEA
- The IBAA import enables the ISO to back-down 100MW of high-cost generation in the ISO
- The appropriate price for imports from the MEEA supported by generation at location B is \$50 instead of the \$30 IBAA default price



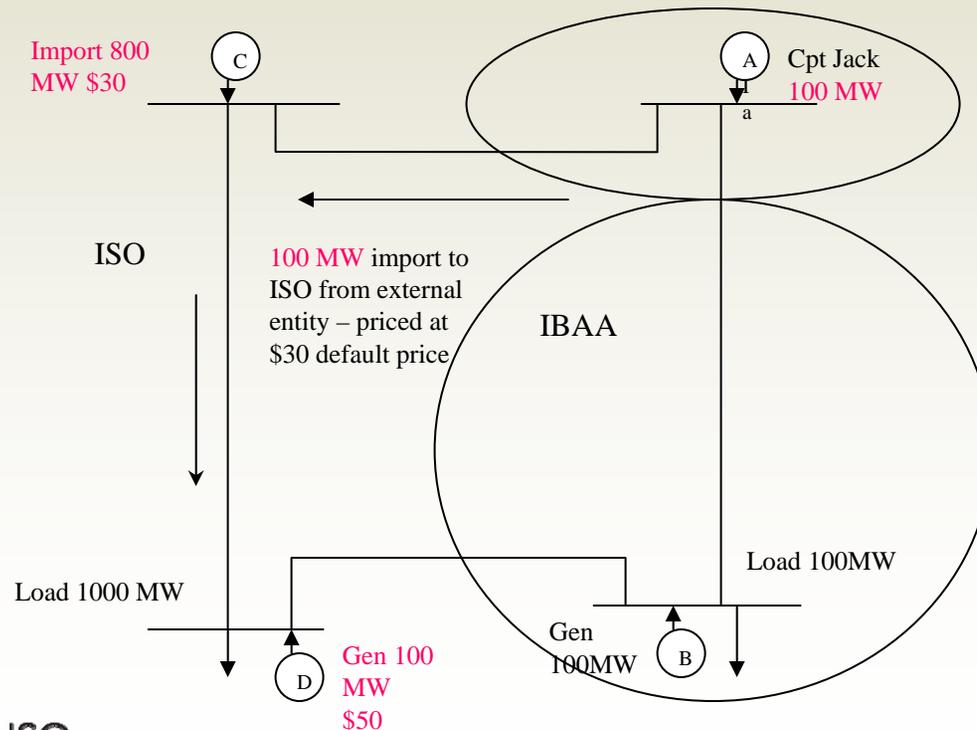
After-the-fact verification is necessary to preserve the IBAA modeling and pricing objectives

- Generator at B generates 175 MW; the MEEA entity submits a MEEA bid or schedule to import 100 MW from the IBAA to the ISO; and also imports 25 MW into the IBAA from the Pacific Northwest
- The ISO must back-down 25 MW of low-cost generation or imports to accommodate the IBAA import
- In this case IBAA entity would be eligible for MEEA price of \$50 for 75 MW of the 100 MW import to ISO



After-the-fact verification is necessary to preserve the IBAA modeling and pricing objectives

- Generator at B generates 100 MW; the MEEA entity submits a MEEA bid or schedule to import 100 MW from the IBAA to the ISO; and also imports 100 MW into the IBAA from the Pacific Northwest
- The ISO must back-down 100 MW of low-cost generation or imports to accommodate the IBAA import



The IBAA structure requires a verification process.

- LMPs for interchange transactions should reflect the value of those transactions given their actual impact on congestion on the ISO grid
- By providing alternative pricing without the proper verification data, the ISO could potentially pay an external entity LMPs for imported power that exceed the actual value of the interchange transaction to the ISO's markets and still require the ISO to re-dispatch internal resources to address congestion created by an external entity's scheduling practices

Other ISO/RTOs have designed or are designing similar structures.

- PJM Interconnection

- Single Interface Pricing Point (SOUTHIMP and SOUTHEXP)
- High-Low Pricing (Applicable to external regions providing additional information and meeting interchange criterion)
- Marginal Cost Proxy Price (Under development for external regions providing additional information including generator cost data and meeting interchange criterion)

PJM's information requirements for High-Low pricing

- “Such pricing point and pricing methodology shall be provided only to the extent the external balancing authority area or sub-area provides or causes to be provided to PJM real-time telemetered load, generation and similar data for such area or sub-area demonstrating that the transaction receiving such pricing sources, or sinks as appropriate, in such area or sub-area. Such data shall be of the type and in the form specified in the PJM Manuals.”

PJM Operating Agreement, Second Revised Sheet No.106A.

PJM's information requirements for Marginal Cost Proxy pricing

- “Such pricing point and pricing methodology shall be provided only to the extent the external balancing authority area or sub-area provides or causes to be provided to PJM (i) unit-specific, real-time telemetered output data for each unit in the PJM network model in such area or sub-area; (ii) unit specific marginal cost data for each unit in the PJM network model in such area or sub-area, prepared in accordance with the PJM Manuals and subject to the same review of the PJM Independent Market Monitor as any such cost data for internal PJM units; and iii) a day-ahead indication of each unit in such area or sub-area as to whether that unit is scheduled to run for each hour of the following day.”

PJM Operating Agreement, Second Revised Sheet No.106C.

PJM's Interchange Criterion for High-Low or Marginal Cost Proxy pricing

- “During any hour in which any entity makes any purchases from other external areas outside of such area or sub-area (other than delivery of external designated network resources or such other exceptions specifically documented for such area or sub-area in the PJM Manuals) at the same time that energy sales into PJM are being made, or purchases energy from PJM for delivery into such area or sub-area while sales from such area to other external areas are simultaneously implemented (subject to any exceptions specifically documented for such area or sub area in the PJM manuals), pricing will revert to the applicable import or export pricing point that would otherwise be assigned to such external area or sub-area.”

Second Revised Sheet Nos.106A-106B (High-Low Pricing) and Second Revised Sheet Nos.106C (Marginal Cost Pricing), PJM Operating Agreement.

ATTACHMENT C

**Docket Nos. ER08-1113-004
& ER08-1113-005**

FERC Technical Conference

Transmission Agency of Northern California

Sacramento Municipal Utility District

City of Santa Clara, California

City of Palo Alto, California

City of Redding, California

Modesto Irrigation District

Turlock Irrigation District

August 20, 2009

Outline

➤ **Who are the IBAA Entities?**

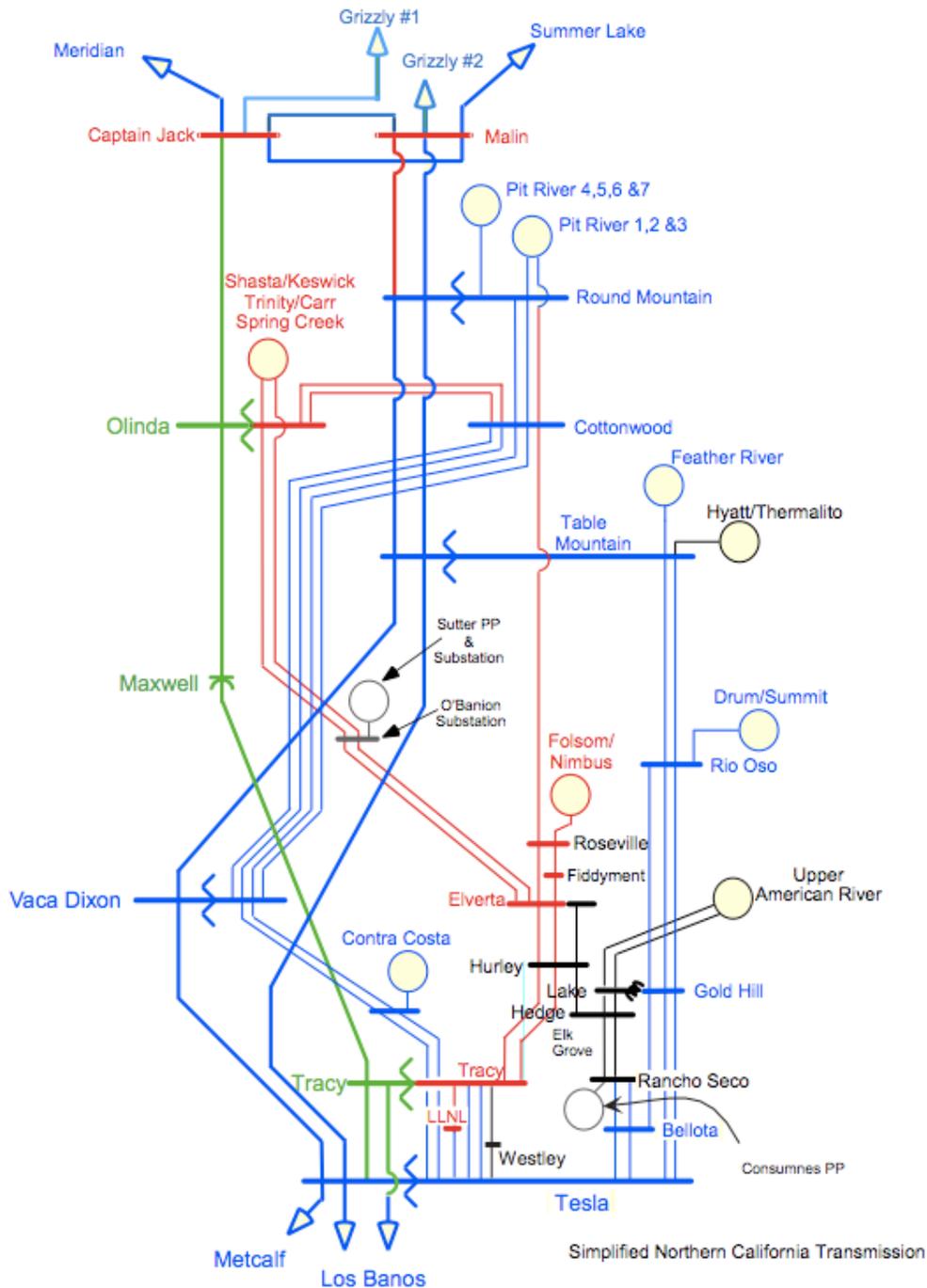
- ❑ What is needed for a MEEA to be viable?
- ❑ CAISO's proposed MEEA approach is not viable
 - Import/Export rule precludes MEEA pricing for virtually all external entity transactions
 - Without MEEA pricing eligibility – there will be no MEEA and no data exchange
- ❑ MEEA eligibility for Western Base Resource Customers and all interchange transactions with CAISO using IBAA transmission facilities
- ❑ Minimum MEEA Data Requirements
- ❑ Data Format -- Use of SQMD is unnecessary
- ❑ What should FERC order?
- ❑ *Appendix: Overview of CVP Facilities and Data Availability*

Who Are The IBAA Entities?

-- Not Only BAAs

- External IBAA Entities have transmission facilities or load outside the CAISO BAA
 - Include SMUD, MID, TID, the City of Redding, California, and TANC;

- Internal IBAA Entities are utilities located and serving load *within* CAISO BAA, who also have generation and/or transmission facilities within the IBAA
 - Include the City of Santa Clara, California and the City of Palo Alto, California



IBAA Facilities Overview

- ❑ TANC (green lines), Western (red lines) and SMUD/MID/TID (black lines) have made significant investment in transmission parallel to PG&E facilities (dark blue lines)
 - TANC COTP 500 kV
 - Western CVP 500 kV/230 kV
- ❑ CVP generation at Shasta and Folsom is significant (~2000 MW)
- ❑ SMUD/MID/TID generation also is substantial (~2500 MW)
- ❑ These resources provide reliability and economic efficiency benefits
- ❑ Parallel flows from transactions on each system affect the other (congestion and losses)

Outline

- ❑ Who are the IBAA Entities?
- **What is needed for a MEEA to be viable?**
- ❑ CAISO's proposed MEEA approach is not viable
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What Is Needed For A MEEA To Be Viable?

- ❑ MEEA pricing cannot be an illusory option, it needs to apply to generation that is verified to have operated
 - No reductions in eligible quantities for simultaneous imports/exports
- ❑ MEEA pricing needs to work for both external and internal IBAA Entities
- ❑ MEEA pricing should be based on jointly-developed historical Generation Distribution Factors (GDFs)
 - Aggregated GDFs comprise MEEA Resource
- ❑ MEEA pricing needs to reflect the value of MEEA Entity's generation and transmission resources
- ❑ The process must encourage and facilitate coordination with neighboring BAAs
 - A collaborative process among BAAs is needed to improve modeling and pricing

Outline

- ❑ Who are the IBAA Entities?
- ❑ What is needed for a MEEA to be viable?
- **CAISO's proposed MEEA approach is not viable**
 - Import/Export rule precludes MEEA pricing for virtually all external entity transactions
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CAISO's Compliance Filing MEEA Approach Is Not Viable

- ❑ Import/Export rule precludes MEEA pricing for virtually all external entity transactions
- ❑ Without MEEA pricing eligibility – there will be no MEEA and no data exchange so the CAISO will not receive the information it says it needs to improve its modeling
- ❑ Eligibility for pool/system transactions should be clarified
- ❑ While Tariff language appears to allow it, CAISO should clarify that CAISO intends that Western Base Resource Customers with load within CAISO BAA will qualify for MEEA pricing
- ❑ While Tariff language appears to allow it, CAISO should clarify that CAISO intends all users of IBAA transmission facilities (e.g., COTP) will qualify for MEEA pricing
- ❑ MEEA must be structured to facilitate coordination with neighboring BAAs on a BAA to BAA Basis

CAISO's MEEA Approach Would Drastically Limit Eligible Transactions

- ❑ Would require proof that **only** the MEEA Resource could have been used to support the transaction
- ❑ CAISO replaced FERC-rejected netting proposal with language disqualifying IBAA Entities from MEEA pricing when the IBAA Entity is also transacting with another BAA
 - Even where the MEEA Entity provides required information on the operation of the resource
- ❑ External IBAA Entities (like SMUD, MID and TID) are nearly always engaged in interchange transactions - i.e., importing from or exporting to BAAs other than the CAISO

Bottom Line: The CAISO's Proposed Tariff Section 27.5.3.2.2 essentially precludes External IBAA Entities from ever qualifying for MEEA pricing

Most IBAA Import Transactions Would Be Excluded From MEEA Pricing

- ❑ Proposed Tariff Section 27.5.3.2.2.1(a) provides:
 - The CAISO *cannot verify* that resources identified in the MEEA were dispatched to support the Import Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also importing from an external Balancing Authority Area (exclusive of the CAISO Balancing Authority Area) because the MEEA Import Bid or portion thereof *may be* supported by other resources not identified in the MEEA.
- ❑ CAISO would refuse to provide MEEA pricing whenever there is more than one potential resource to support a transaction
 - Because external entities are almost always engaged in interchange transactions the CAISO’s “single source” verification standard will never be met

Similarly, Most IBAA Export Transactions Would Be Excluded From MEEA Pricing

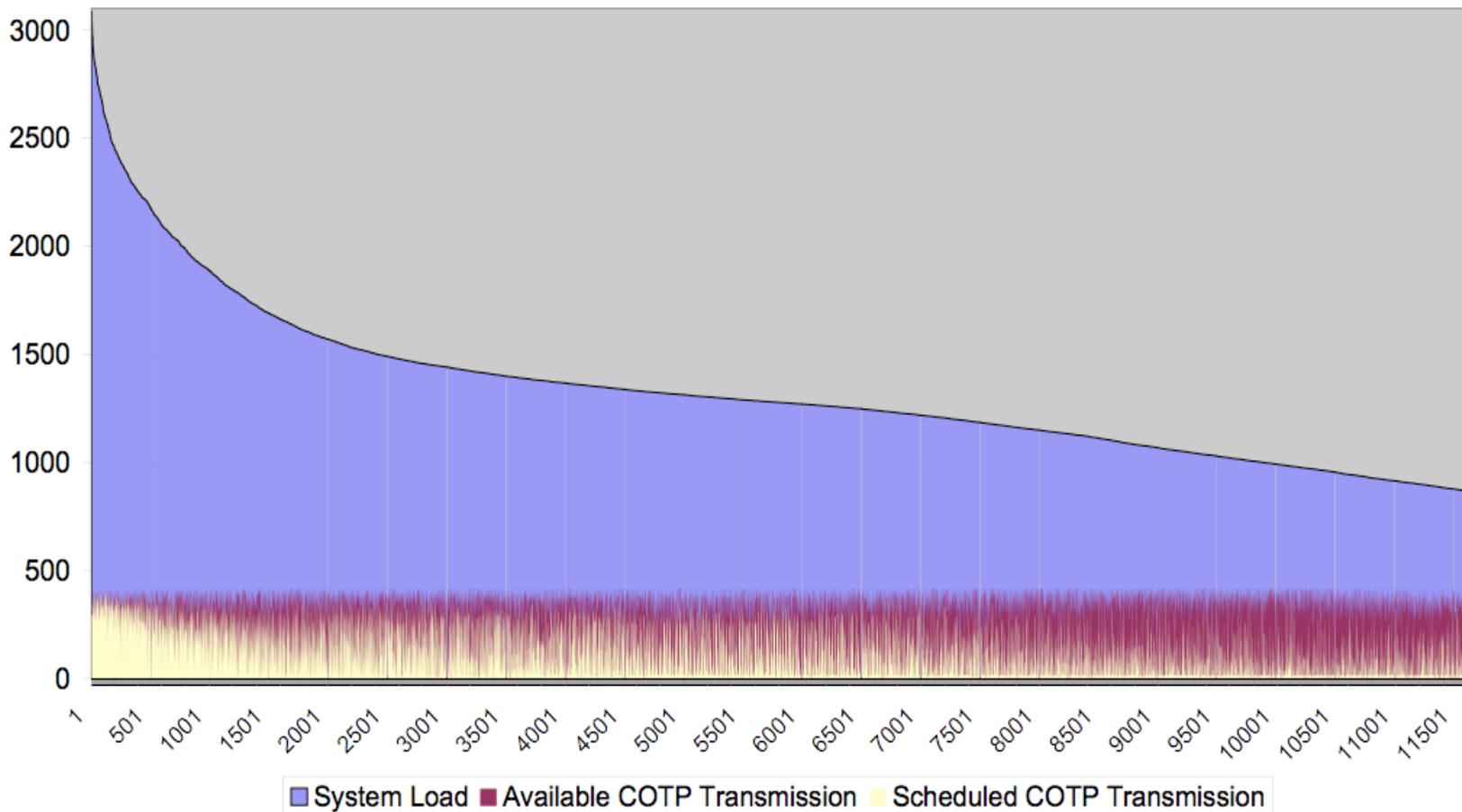
- ❑ For MEEA exports from CAISO there are two unworkable verification requirements
- ❑ Section 27.5.3.2.2.2 provides

“The CAISO *shall verify* the portion of the resources identified in an MEEA, if any, that were dispatched to implement supported [sic] an Export Bid. . . .” (*emphasis added*)

 - Presumably, “resources” means “loads” in this context. If so, that should be clarified.
 - If not, it is unclear what else is required for an IBAA Entity to identify “resources” in an MEEA for exports from CAISO. How are CAISO market resources identified?
- ❑ Further, proposed Tariff Section 27.5.3.2.2.2(a) suffers from the same unworkable Import/Export verification rule as the import provision
- ❑ All CAISO needs to know is whether the MEEA Entity’s load was greater than or equal to the scheduled MEEA export

SMUD's COTP Usage Demonstrates Its Frequency Of Transactions With Other BAAs And The Resulting Impact Of The Section 27.5.3.2.2 Verification Restrictions

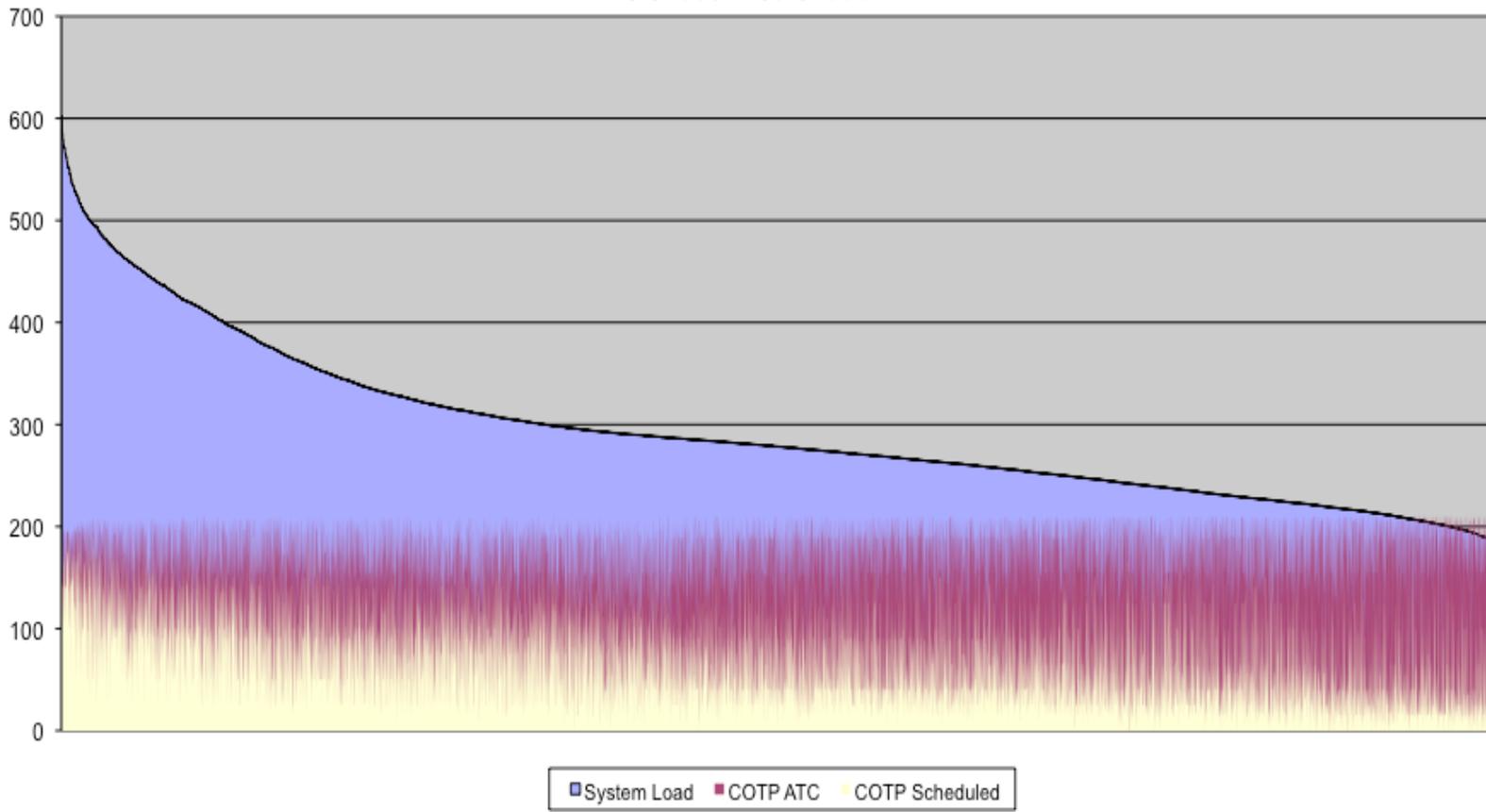
SMUD System Load & COTP Transmission
4/1/2008 - 7/31/2009



SMUD almost never would be eligible for MEEA pricing, since SMUD uses COTP in nearly all hours (97%)

TID's COTP Usage Demonstrates Its Frequency Of Transactions With Other BAAs And The Resulting Impact Of The Section 27.5.3.2.2 Verification Restrictions

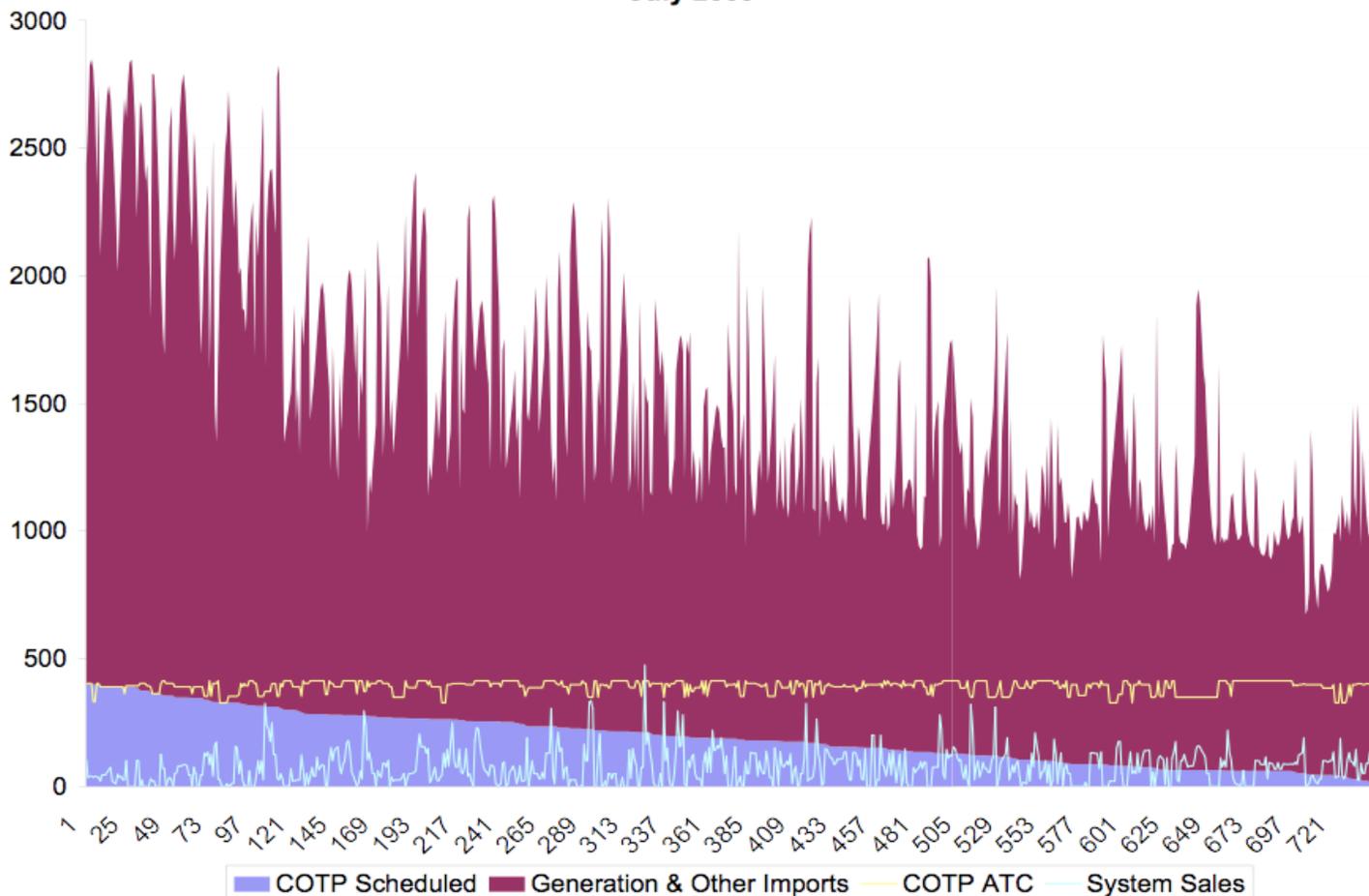
TID System Load & COTP Transmission
4/1/2008 - 7/31/2009



- TID almost never would be eligible for MEEA pricing, since TID uses COTP in nearly all hours (99%)

SMUD's System Sales Have An Extremely Weak Correlation With COTP Usage

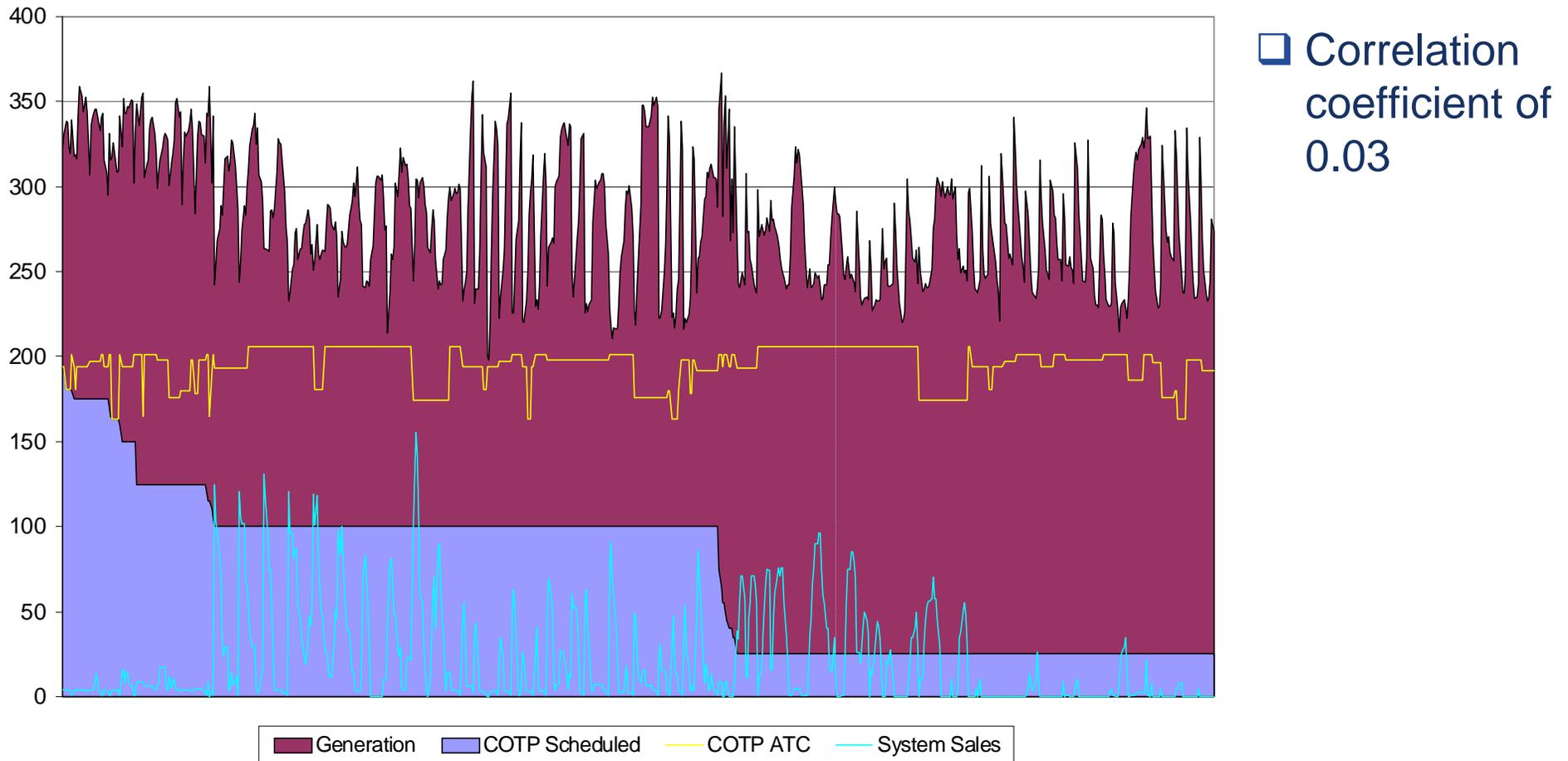
SMUD System Resources
July 2009



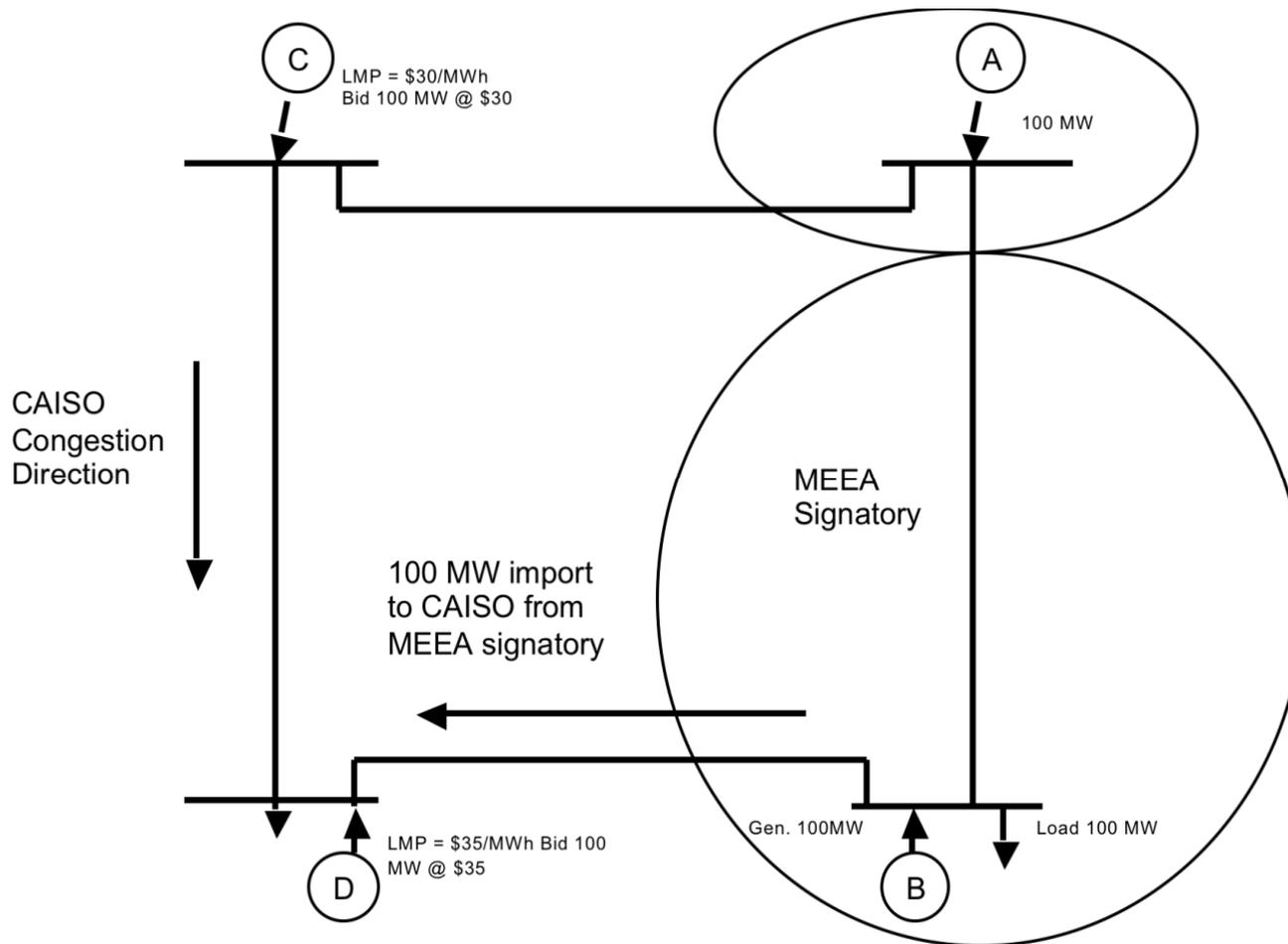
Correlation coefficient of -0.09

TID's System Sales Have An Extremely Weak Correlation With COTP Usage

TID System Generation & COTP Schedule with ATC & Sales
July 2009



CAISO's Own MEEA Pricing Example Shows How This Restriction Of Eligible Transactions Harms All Parties And Will Not Improve CAISO Modeling Or Enhance Markets



- ❑ MEEA Signatory imports 100 MW from A to serve 100 MW load at B
- ❑ MEEA Signatory wants to sell 100 MW to CAISO from resource at B
- ❑ CAISO believes it cannot verify it is getting the benefit of the resource at B, so it contends the default IBAA price should apply
- ❑ CAISO does not want to send a signal to import more from A, but it is sending a signal **not to** generate at B, so less resource is made available to CAISO BAA
- ❑ The MEEA price would only be available if the import at A does not take place, but then the power at B would no longer be available to sell to CAISO
- ❑ CAISO will incur the congestion impacts from the resource at A in any event (and will obtain the benefit of CAISO parallel flows between A and B)

Outline

- ❑ Who are the IBAA Entities?
- ❑ What is needed for a MEEA to be viable?
- ❑ CAISO's proposed MEEA approach is not viable
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- **MEEA eligibility for Western Base Resource Customers and all interchange transactions with CAISO using IBAA transmission facilities**
- ❑ Minimum MEEA Data Requirements
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- ❑ What should FERC order?
- ❑ *Appendix: Overview of CVP Facilities and Data Availability*

It Is Unclear Whether The CAISO Intends That Western Base Resource Customers With Load Within CAISO BAA Will Qualify For MEEA Pricing

- ❑ The Western Base Resource is a portfolio of resources
 - Of the 2,000 MW of CVP generation, approximately half serves the load of internal IBAA Entities (load within the CAISO BAA)
- ❑ Section 27.5.3.2 references being “in control of specific resources.”
 - Language could be interpreted to conflict with CAISO’s stated intent in the transmittal letter to allow the use of a “portfolio of resources” using negotiated distribution factors
 - Need to clarify that the “specific resources” would include a portfolio of resources, such as the Western Base Resource
- ❑ Similarly, the lack of clarity in Section 27.5.3.2 affects External IBAA Entities, which also operate a portfolio of resources

MEEAs Should Be Available To All Entities Controlling Supply Resources Within IBAA

- ❑ MEEA “control” is ownership or any contractual arrangements that provide authority to schedule and/or receive the financial benefits of a resource
 - Santa Clara and Palo Alto have contractual rights to schedule, consistent with the water release schedule provided by the Bureau of Reclamation to Western, their share of the CVP Western Base Resource generation, and thereby have control for purposes of a MEEA
- ❑ Consistent with CAISO proposal, Santa Clara and Palo Alto could provide plant-specific CVP generation data to develop the MEEA price using historic GDFs
 - MEEA price is not based on the actual mix of CVP generation in a specific hour
- ❑ The combination of historical GDFs and Western Base Resource Customer scheduled imports provide CAISO the totality of information it needs to model the source of the import and verify its operation for MEEA purposes

➔ Does CAISO agree?

All Interchange Transactions With The CAISO That Are Subject To The Default IBAA Price Must Be Eligible For MEEAs

- ❑ The proposed tariff appears to provide that any entity that owns or controls resources that are used to engage in interchange transactions with the CAISO that use IBAA transmission (e.g., COTP) will receive the default IBAA price
- ❑ Entities that are subject to the default IBAA price should be eligible to enter into a MEEA
- ❑ Information provided under a MEEA by such IBAA transmission (e.g., COTP) users would help improve the CAISO's Full Network Model

Outline

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Minimum data required “to verify the location and operation of the resources used to implement interchange transactions.” March 6 Order at P 80

- ❑ Only information needed are:
 - Negotiated MEEA generation distribution factors (based on historical production)
 - Verification that the MEEA Resources were operating when the sale was made.
- ❑ No other information is required to verify that the MEEA Resource supported the MEEA transactions
- ❑ MEEA transactions can be scheduled using a special resource ID, consistent with proposed Tariff Section 27.5.3.9
 - Like the IBAA Marginal Losses Adjustment, the Scheduling Coordinator effectively certifies that MEEA Resources were operating when scheduling under this resource ID, subject to verification when questions arise
- ❑ CAISO obtains the congestion and loss benefits reflected in the MEEA price as long as the MEEA Resource was operating
 - Transactions with other BAAs are not relevant and should not be part of the data requirements under a MEEA

Outline

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Use Of SQMD Is Unnecessary And Unduly Burdensome

- ❑ Subjecting MEEA Entity to Settlement Quality Meter Data (SQMD) requirements of Tariff Section 10.3.2.2 requires cumbersome verification and auditing process
 - External resources not currently subjected to this process
 - CAISO has not justified the need for this
- ❑ MEEA data is not being used to determine quantities for settlement and billing – that is determined by scheduled quantities
 - Only need to verify that in aggregate the resource operated at or above the scheduled MEEA transaction quantity
 - MEEA price an approximation using historical GDFs – use of SQMDs suggests a level of accuracy far greater than can be achieved with historical GDFs
 - SQMD requirement does not comply with Commission directive to permit MEEA entities to submit data in WECC format

Outline

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- ❑ What is needed for a MEEA to be viable?
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- ❑ Data Format -- Use of SQMD is unnecessary
- **What should FERC order?**
- ❑ *Appendix: Overview of CVP Facilities and Data Availability*

What Should FERC Order?

- ❑ Reject CAISO's proposed disqualification of Import/Export transactions from MEEA pricing
- ❑ Find that the minimum data requirement for a MEEA is historical and jointly-developed Resource Distribution Factors and after-the-fact verification that MEEA Resources, in aggregate, operated (individual generation or system resources)
- ❑ Allow MEEA transactions to be scheduled using special Resource IDs, consistent with proposed Tariff Section 27.5.3.9; SQMD not appropriate to confirm MEEA Resource operation
- ❑ Clarify that Western Base Resource Customers and all users of IBAA transmission facilities (e.g., COTP) engaging in interchange transactions with the CAISO will be eligible to enter into MEEAs, whether they use specific, or pools of, resources
- ❑ Order the CAISO to work with neighboring BAA Entities on a BAA to BAA basis, on monitoring, modeling and pricing issues, in FERC-supervised processes as necessary (i.e., any long-term solution to modeling and pricing must include collaboration, not unilateral action)

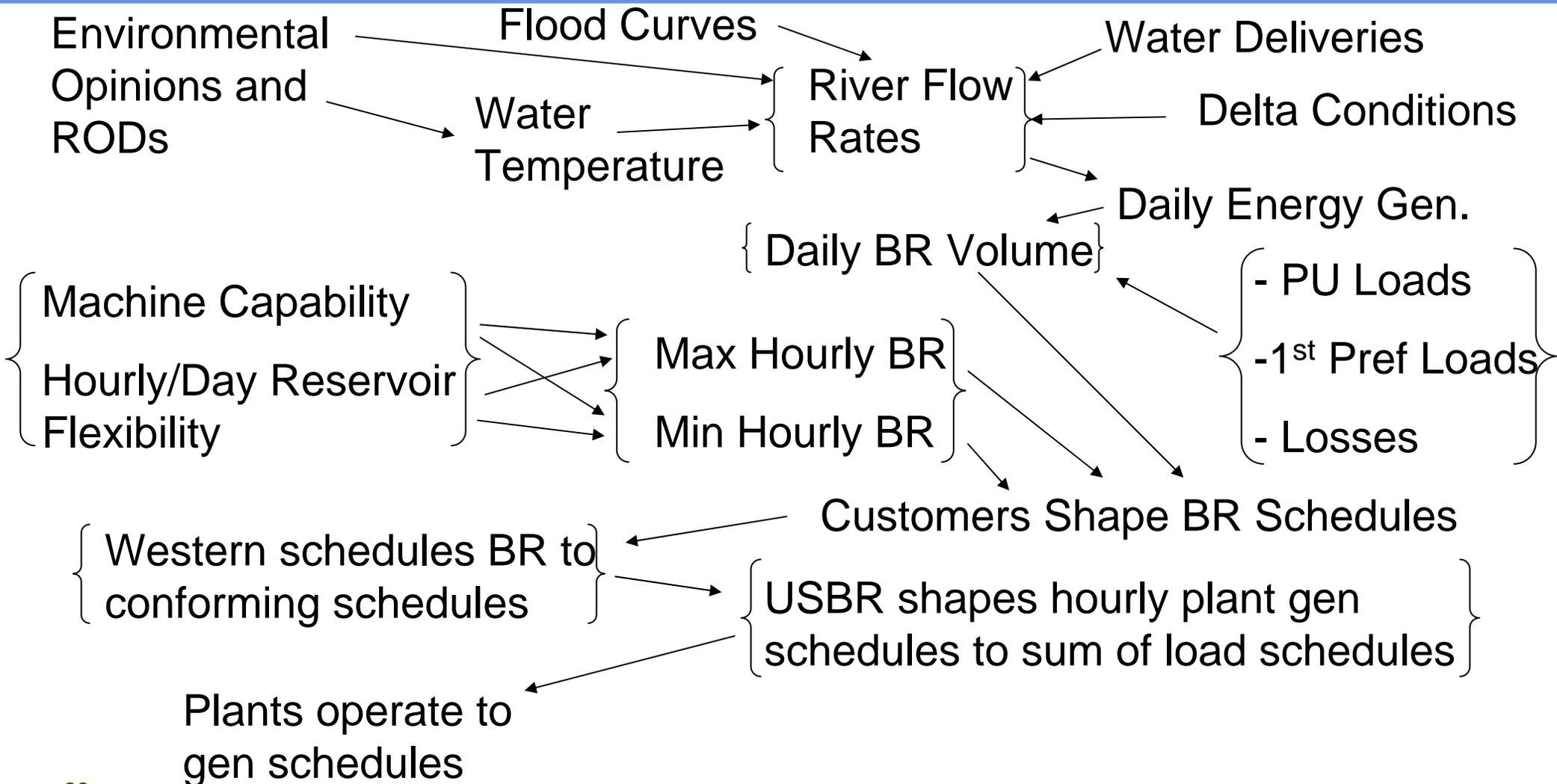
Outline

- ❑ Who are the IBAA Entities?
- ❑ What is needed for a MEEA to be viable?
- ❑ CAISO's proposed MEEA approach is not viable
 - Import/Export rule precludes MEEA pricing for virtually all external entity transactions
 - Without MEEA pricing eligibility – there will be no MEEA and no data exchange
- ❑ MEEA eligibility for Western Base Resource Customers and all interchange transactions with CAISO using IBAA transmission facilities
- ❑ Minimum MEEA Data Requirements
- ❑ Data Format -- Use of SQMD is unnecessary
- ❑ What should FERC order?
- ***Appendix: Overview of CVP Facilities and Data Availability***

Appendix

Overview Of CVP Facilities And Data Availability

Summary Of CVP Hydro Operation And Western Scheduling



Western Base Resource Customers Have MEEA “Control” Of CVP Western Resources

- ❑ Western Base Resource contracts give customers scheduling rights within constraints of water operations and machine capability
 - Western Base Resource Customers make hourly Base Resource schedules, subject to water release schedule provided by Bureau of Reclamation
 - Western accepts conforming Base Resource schedules
 - USBR operates CVP plants to meet loads including accepted Base Resource schedules
- ❑ Because Western Base Resource Customers have contractual rights to schedule, subject to the water release schedule provided by the Bureau of Reclamation to Western, their share of the CVP Western Base Resource generation, they have control for purposes of a MEEA

Generation Data Available

- Historic hourly generation by plant for CVP (several years)
- Day Ahead hourly schedule of MEEA Parties' Base Resource
- After the fact confirmation by Western of the aggregate CVP Western Base Resource generation levels