

**COMMENTS OF  
THE TRANSMISSION AGENCY OF NORTHERN CALIFORNIA  
ON THE CALIFORNIA ISO'S PROPOSAL ON MODELING AND PRICING OF  
INTEGRATED BALANCING AUTHORITY AREAS**

**FEBRUARY 4, 2008**

The Transmission Agency of Northern California ("TANC") hereby submits the following comments on the California Independent System Operator Corporation's ("ISO") proposal for modeling and pricing of Integrated Balancing Authority Areas ("IBAA's"), including the ISO's January 22, 2008 version of the draft Tariff language on IBAA's.

TANC supports and incorporates the comments and questions that will be submitted jointly today by the Sacramento Municipal Utility District ("SMUD"), Turlock Irrigation District and the City of Santa Clara, California. TANC also supports and incorporates the comments submitted separately today by SMUD and the City of Redding, California. In addition, TANC raises the following questions and concerns:

- Based on the ISO's responses to various stakeholder questions posted on the ISO Website on January 30, 2008 and other ISO representations during the IBAA stakeholder process, it appears that the ISO's IBAA proposal will serve to undervalue TANC's and TANC Members' ownership rights and/or entitlements to the California-Oregon Transmission Project ("COTP"). Such a result is unacceptable, and any proposal to model, price, schedule, map and/or settle injections from any point in the COTP that improperly uses Captain Jack values, or otherwise ignores the value of the COTP, should be retracted and rectified.
- In Section 27.5.3, the draft Tariff language provides that additional details regarding the modeling specifications for specific IBAA's is provided in the Business Practice Manuals ("BPMs"). These details, including distribution factors and weighting and pricing nodes, have a significant impact on rates, terms, conditions and charges and must be included in the Tariff rather than relegated to the BPMs. Notwithstanding the above, TANC requests that the ISO provide the names and specific references of each BPM that is relevant to the ISO's IBAA proposal, and the corresponding Tariff sections from which such BPM provisions are derived.
- Tariff Appendix C at Section G (Scheduling Point Price Calculation) provides:

The CAISO calculates LMPs for Scheduling Points, which are PNodes or an aggregation of PNodes that exist external to the CAISO Balancing Authority Area through the same process that is used to calculate LMPs within the CAISO

Balancing Authority Area. A Scheduling Point typically is physically located at an “outside” boundary of the CAISO Controlled Grid (e.g., at the point of interconnection between a Balancing Authority Area utility and the CAISO Controlled Grid). CAISO Controlled Grid that is external to the CAISO Balancing Authority Area connects some Scheduling Points to the CAISO Balancing Authority Area, and in these cases the Scheduling Points are within external Balancing Authority Areas. In both of these cases, the CAISO places injections and withdrawals at the Scheduling Points, which represent Bids and Schedules whose physical location is unknown, and the LMPs for Settlement of Interchange schedules are established by the Scheduling Point PNodes.

However, in Appendix A of the MRTU Tariff, the term “Scheduling Point” is defined as:

A location at which the CAISO Controlled Grid is connected, by a group of transmission paths for which a physical, non-simultaneous transmission capacity rating has been established for Congestion Management, to transmission facilities that are outside the CAISO’s Operational Control.

The ISO should clarify whether there is any distinction between these definitions of “Scheduling Points” and if so, the basis and authority for any such distinction in the meaning of this term as it is applied to the IBAA proposal.