

Stakeholder Comment Template	
CAISO Integrated Balancing Authority Area (IBAA) Proposal	
Organization: Western Power Trading Forum	Date Submitted 05 05 08
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Industry Segment: Association	
<p>Instructions: The CAISO is requesting written comments on the <i>Draft Final Proposal on Modeling and Pricing of Integrated Balancing Authority Areas (IBAA)</i> that was discussed at the April 11th MSC/Stakeholder meeting, a written draft of which was posted on April 18, 2008 at http://www.caiso.com/1fad/1fad12f244a990.pdf. This template is offered as a guide for entities to submit comments.</p> <p>All documents related to the CAISO's IBAA proposal are posted on the CAISO Website at the following link: http://www.caiso.com/1f50/1f50ae5b32340.html</p> <p>Upon completion of this template please submit (in MS Word) to kalmeida@caiso.com . Submissions are requested by close of business on Friday April 25, 2008.</p>	

On 4/28/08 WPTF submitted some principled comments. These comments are further clarification and refinement of WPTF's position.

The CAISO should model accurately the intertie points, including recognizing the ownership rights of other transmission owners and the operating agreements that provide for reciprocal congestion and loss treatment. Such injections should be priced at the interconnection point. In the case of the SMUD/WAPA IBAA, injections over COTP should therefore be priced at Tracy.

Consistent with the above, the CAISO should price all injections and withdrawals at the point they enter or leave the CAISO system. WPTF understands that the CAISO is concerned about the possibility of price distortions and points to other markets where the CAISO suggests prices were not based on fundamentals. Since MRTU is not yet operational there is no way to know whether such distortions will exist in the CAISO's markets. WPTF has not seen sufficient evidence from the CAISO to know whether there is significant risk of price distortion, nor has WPTF seen other Northern California Load Serving Entities express concern or demonstrate that potential price distortions pose significant risks and consequences.

While WPTF would be willing to consider the merits of a hub design in the face some significant demonstrated risk of price distortion, especially distortions that advantage some market participants over others, in the absence of such evidence WPTF does not strongly advocate for a

hub design. Ultimately WPTF believes a balance should be struck between the SMUD/WAPA–affected entities and other concerned and affected LSEs regarding the potential risks and consequences of separate intertie point versus hub pricing.

Lastly, as pointed out in our previous set of comments, WPTF is opposed to any expansion of use of Exceptional Dispatch, and the CAISO white paper points to Exceptional Dispatch as a means to manage flows in the SMUD/WAPA control area. WPTF strongly encourages the CAISO to articulate further the need for using Exceptional Dispatch for this purpose and to work with stakeholders to find other alternatives methods to manage system conditions.