

**California Municipal Utilities Association**  
**Comments on the *Draft Final CAISO***  
***Integrated Balancing Authority Area (IBAA) Proposal***  
**April 18, 2008**

**Submitted for Discussion Purposes**

The California Municipal Utilities Association (“CMUA”) submits these Comments on the *Draft Final Integrated Balancing Authority Area (IBAA) Proposal*, dated April 18, 2008.

CMUA will not repeat the arguments raised by its members in comments today. Instead, CMUA incorporates by reference the substantive and process issues raised by CMUA members.

CMUA also attaches hereto the letter it transmitted to the CAISO Board of Directors and CAISO Management earlier this month. In that letter, CMUA made clear its support for accurate modeling to contribute to accurate unit commitment decisions in the CAISO Balancing Authority, so that possible dispatch uplift costs can be minimized, consistent with practical reality and preexisting arrangements among affected parties. CMUA also made clear its concerns that the CAISO proposals were poorly supported by evidence demonstrating both the need for the IBAA proposals as applied to the specific entities involved, or support for the CAISO’s contention that the IBAA proposal was the best option to accomplish the desired objective. There is little in the Draft Final IBAA Proposal to alter CMUA’s position as expressed in the letter.

Since that letter, CMUA attended a constructive public meeting in which outside market experts brought in by the CAISO explained problems that were experienced in Eastern organized markets that the CAISO believes are analogous to the IBAA issue it has confronted. In addition, at that meeting there was a dialogue that contained a helpful exchange on technical issues surround cost issues associated with schedules on the California Oregon Transmission Project. CMUA also welcomes the statement in the Executive Summary of the Draft Final IBAA Proposal that alternative pricing arrangement may be considered beyond what the CAISO has proffered in the Draft Final IBAA Proposal.

However, the Draft Final IBAA Proposal appears to “giveth with one hand, while with the other it taketh away.” Instead of the fresh start that CMUA urged in its Letter, the latest proposal appears to recite the same general and poorly supported rationales for the details of the Draft Final IBAA Proposal. Instead of working with affected entities to craft a proposal as a first option that attempts to match flows and prices, the CAISO is proposing broadly aggregated prices that the CAISO fully recognizes do not reflect accurate pricing of actual flows, which is the foundation of the MRTU market design. These dichotomies have left the municipal community with the impression that the stakeholder meetings of the past month were not focused on improving understanding

and crafting consensus, but instead may be intended as an exercise of process for process sake, to support a FERC position or a market model that has already been derived.

Once again, given the MRTU delays until the Fall of 2008, and the importance of any initiative to modify pricing and the supporting technical work that is necessary for such an endeavor, CMUA urges the CAISO to call a “Time Out” in the IBAA process, and continue the dialogue furthered at the stakeholder meetings this month to craft a tailored mechanism and address the CAISO’s perceived problem, while recognizing the legitimate needs and expectations of CMUA members that will be impacted by the Draft Final IBAA Proposal.