

DOE Comments on Integrated Balancing Authority Area (IBAA) Proposal  
April 28, 2008

The Department Of Energy, Berkeley Site Office (DOE/BSO) provides the following comments pursuant to the CAISO's recent request for comments regarding its April 18, 2008 "Draft Final CAISO Integrated Balancing Authority Area (IBAA) Proposal". Given the broad scope of the CAISO's April 18<sup>th</sup> proposal, and the specific impacts it places on DOE/BSO, we have chosen not to structure our comments along the lines of the CAISO's template, but rather we have limited our comments to the issues that directly impact us.

DOE/BSO is responsible for providing energy to the three DOE facilities in the San Francisco Bay Area that are interconnected with the CAISO grid. A large portion of the energy used to serve these loads is procured in the Pacific Northwest and transmitted to the CAISO/WAPA interface at Tracy via the COTP, for delivery to the loads over the CAISO grid. DOE/BSO's long-term, firm rights to the COTP were provided to DOE in 1984 by the U.S. Congress in PL 98-360. The intent of Congress was to confer upon the DOE laboratories transmission rights that would result in significant value in the form of reduced electric power costs. The point of interchange for these transactions is normally the 500kV bus at Tracy. DOE/BSO normally self schedules energy solely for its own use and only participates in CAISO markets to the extent necessary to settle imbalances between actual load and scheduled energy. Under the MRTU structure, DOE/BSO does not plan to "bid" into CAISO markets, but rather accept the LMP at the Tracy 500kV bus.

Based on the CAISO's April 18, 2008 "Draft Final CAISO Integrated Balancing Authority Proposal", DOE/BSO would be forced to settle its COTP 500kV transactions at Capt. Jack rather than at the Tracy 500 kV bus. This would subject DOE/BSO to losses and congestion charges, calculated by the CAISO, on a transmission facility that is not part of the CAISO grid, effectively significantly reducing the value of the COTP rights that were allocated to DOE by Congress. While the CAISO claims that the loss and congestion charges applied to the COTP transactions would only compensate it for the incremental costs to the CAISO grid associated with the COTP transactions, (i.e. parallel flows on the CAISO grid arising from the COTP transaction) these issues have been properly addressed within existing arrangements, which the CAISO is not free to unilaterally alter.

While DOE/BSO supports improved modeling of the electric grid for the purpose of enhancing reliability, that modeling should not include pricing arrangements that have not been accepted by DOE/BSO, and which undermine the value of its Congressionally allocated rights to the COTP. The draft proposal imposes unfair and unnecessary burdens on DOE/BSO. Specifically, the proposal imposes the CAISO pricing mechanism upon facilities outside of the CAISO Balancing Area, thereby involuntarily subjecting DOE/BSO to a financial arrangement it has chosen not to adopt and which undermines the value of its existing rights on the COTP.

CAISO seems to believe that CRRs can solve a portion of this problem. Throughout the recent CRR allocation process the CAISO failed to provide information regarding its plan and the resultant requirement to acquire CRRs to cover potential congestion on the COTP. There was never any suggestion that one would need to hold a CRR for a line which was not part of the CAISO grid, and one to which DOE/BSO holds firm rights.

Consequently, DOE/BSO does not currently hold any CRRs which would solve any congestion charge exposure. In Section 4.2 of the April 18 Draft Final Proposal, the CAISO has suggested that it might allow affected parties to “modify the settlement of the CRR to be congruent to the revised IFM pricing associated with the IBAA change.” That may provide some offset to the potential loss of value to DOE/BSO that the CAISO proposal will engender. However, the CRR offset to DOE/BSO’s loss of value will be partial, at best, and there is insufficient detail provided about this potential modification of CRRs to provide any real comfort to DOE/BSO at this time.

Irrespective of the congestion issues noted above, the CAISO has failed to announce a credible reason for moving the settlement point for Tracy 500 transactions from a boundary point between itself and Western (Tracy 500) to a remote point outside of its system (Capt. Jack). DOE/BSO maintains that it is inappropriate for the CAISO to impose losses on other parties that have existing rights to facilities outside of the CAISO grid, by unilaterally imposing a pricing mechanism that undermines the value of those rights without the consent of the affected parties.

DOE/BSO has reviewed comments being submitted by Western, SMUD, Silicon Valley Power and TANC and concurs with and supports their comments. DOE/BSO would encourage the parties impacted by this issue to exhaust all efforts to negotiate an acceptable resolution in order to avoid litigation.

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