

COMMENTS OF SILICON VALLEY POWER (SVP)
ON THE CAISO TARIFF CLARIFICATION INITIATIVE

Submitted on December 16, 2010

To Whom it May Concern:

The City of Santa Clara, doing business as Silicon Valley Power (“SVP”) submits the following comments on the CAISO’s second draft Tariff language and the accompanying matrix of responses to stakeholder comments that the CAISO posted on December 9, 2010, in furtherance of its “Tariff Clarifications Filing” Initiative.

1) Business Practice Manual (“BPM”) Proposed Revision Request (“PRR”) Impact Analyses: SVP commends the CAISO for its decision to withdraw the revisions it had originally proposed in this initiative concerning the preparation of BPM PRR impact analyses. SVP also appreciates the CAISO’s commitment, as stated during the December 1, 2010 stakeholder conference call, to implement procedures that ensure that its business practices conform to its existing Tariff obligations in this regard.

2) Use of the Undefined Term “constraints” in lieu of “Transmission Constraints”: On November 23, 2010, SVP sought clarification from the CAISO on certain specific Tariff sections in which the CAISO made changes in order to substitute the defined term “Transmission Constraints” for the defined term “Constraints,” and to refer to “constraints” in the Tariff pursuant to the “plain meaning” of that word. The CAISO’s responses did not directly provide the clarification requested in certain of these instances.

(A) Section 27.5.1.1 (Base Market Model used in the CAISO Markets): SVP’s November 23, 2010 comments expressed concern with the use of the undefined term “network constraints” in this Section as it creates uncertainty on the types of constraints that the CAISO would enforce on the Interties, and sought clarification from the CAISO on the types of “network constraints” on the Interties it plans on enforcing pursuant to this proposed revision.

In its December 9 response, the CAISO stated that it would change the term “network constraints” to “Transmission Constraints,” and indicated that it did “not intend to change any of its existing practices on which constraints are enforced at the interties or elsewhere as a result of this tariff change.” See *CAISO December 9 Response Matrix* #49. While the CAISO’s newly proposed change to “Transmission Constraints” in this Section does not appear to be problematic, SVP requests that the CAISO provide an explanation of the meaning of “network constraints” as previously requested to allow stakeholders to better understand the CAISO’s use of that term. SVP notes as an example that in the response to SVP’s comments to Section 27.5.3, the CAISO stated that “the term network constraint encompasses Transmission Constraints.” See *CAISO December 9 Response Matrix* #53. It would be helpful to understand the other types of constraints, if any, the CAISO views as being encompassed in the meaning of “network constraints” as that term appears in the Tariff and BPMs.

(B) Section 27.5.3 (Integrated Balancing Authority Areas (“IBAA”)): On November 9, the CAISO proposed to provide, “The CAISO monitors but does not enforce the network constraints for an IBAA in running the CAISO Markets Processes.” Since the term “network constraints” is undefined, to ensure that the CAISO does not enforce Transmission Constraints of an IBAA, SVP suggested that the CAISO should revise the sentence as follows: “The CAISO monitors but does not enforce the network constraints, including Transmission Constraints, for an IBAA in running the CAISO Markets Processes.”

In its December 9 response to SVP’s comment, the CAISO declined to incorporate SVP’s suggestion and asserted: “The term network constraints in this section includes transmission constraints that are not on the ISO grid or within the ISO balancing authority area. This additional language is not necessary because the term network constraints encompasses Transmission Constraints.” *See CAISO December 9 Response Matrix #53*. In response to a similar comment by the Transmission Agency of Northern California to the same Tariff section, the CAISO indicated that “The ISO will not enforce any constraints in IBAA as a result of the changes proposed in this filing.” *See CAISO December 9 Response Matrix #54*.

SVP appreciates the CAISO’s assertion that it will not enforce any constraints in the IBAA. However, in the second draft tariff redline posted on December 9, the CAISO has replaced the term “network constraints” with “Transmission Constraints,” which would provide that CAISO only does not enforce “Transmission Constraints” in the IBAA, leaving silent whether other network constraints would be enforced in the IBAs. Thus, it does not appear that the CAISO’s second draft proposed revision to this Section fully comports with the CAISO’s intentions as reflected in the CAISO’s December 9 Response Matrix. Thus, SVP requests that the CAISO revise the sentence as previously suggested by SVP.

3) Section 27.1.1 (Locational Marginal Prices for Energy): The CAISO proposed (on November 11, 2010), to clarify that the Hour Ahead Scheduling Process (“HASP”), which is conducted hourly, calculates fifteen minute HASP Intertie LMPs for the subsequent Trading Hour. The CAISO has not fully explained why it has proposed the following revision, “The HASP, which is conducted an hourly run of the RTUC with the Time Horizon that starts at the beginning of the nextfor scheduling Non-Dynamic System Resources and exports for the subsequent Trading Hour, calculates fifteen-minute LMPs (HASP Intertie LMPs) for the applicable that Trading Hour.” SVP would appreciate further clarification from the CAISO on the basis for specifying “Non-Dynamic System Resources and exports” in this provision.

4) Section 27.1.1.3 (Marginal Cost of Congestion): SVP would appreciate further explanation from the CAISO on the basis for its proposed December 9 revision from “all” to “a” in the following sentence: “The Marginal Cost of Congestion at a PNode reflects a linear combination of the Shadow Prices of a ~~an~~ binding Transmission Constraints in the

network, ~~each~~ multiplied by the corresponding Power Transfer Distribution Factor (PTDF).”

5) Section 31.3.3 (Metered Subsystems): The CAISO intends to make some Tariff changes to this section based on comments submitted by Market Participants. It appears that one such change has inadvertently been omitted by the CAISO. At the beginning of the third sentence of this section, SVP suggests that the CAISO’s proposed term “Network constraints” should be changed to “Transmission Constraints”. This will result in the language of Sections 27.5.2 and 31.3.3 being consistent with each other.

SVP appreciates the opportunity to provide comments to the CAISO on its documents concerning the Tariff Clarification initiative. Please contact me if you have any questions regarding SVP’s comments.

Ken Kohtz
Silicon Valley Power
(408) 615-6676
kkohtz@santaclaraca.gov