

GMC Filing
Fourth Replacement CAISO Tariff
October 8, 2009

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CAISO TARIFF APPENDIX F

Rate Schedules

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CAISO TARIFF APPENDIX F

Schedule 1

Grid Management Charge

Part A – Monthly Calculation of Grid Management Charge (GMC)

The Grid Management Charge consists of the following separate service charges: (1) the Core Reliability Services – Demand Charge, (2) the Core Reliability Services – Energy Exports Charge; (3) Energy Transmission Services – Net Energy Charge, (4) the Energy Transmission Services – Uninstructed Deviations Charge, (5) the Core Reliability Services/Energy Transmission Services – Transmission Ownership Rights Charge, (6) the Forward Scheduling Charge, (7) the Market Usage Charge, and (8) the Settlements, Metering, and Client Relations Charge.

1. The rate in \$/MW for the Core Reliability Services – Demand Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total of the forecasted Scheduling Coordinators' metered non-coincident peak hourly demand in MW for all months during the year (excluding the portion of such Demand associated with Energy Exports, if any, as may be modified in accordance with Part F of this Schedule 1), reduced by thirty-four percent (34%) of the sum of all Scheduling Coordinators' metered non-coincident peak Demands occurring during the hours ending 0100 through 0600, or during the hours ending 2300 through 2400, every day, including Sundays and holidays; provided that if a Scheduling Coordinator's metered non-coincident peak Demand hour during the month occurs during the hours ending 0100 through 0600, or during the hours ending 2300 through 2400, every day, the rate shall be sixty-six percent (66%) of the standard Core Reliability Services – Demand Charge rate.
2. The rate in \$/MWh for the Core Reliability Services – Energy Exports Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total of the forecasted Scheduling Coordinators' metered volume of Energy Exports in MWh, excluding each Scheduling Coordinator's Energy Exports associated with Transmission Ownership Rights.
3. The rate in \$/MWh for the Energy Transmission Services – Net Energy Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total annual forecasted Metered Balancing Authority Area Load, excluding each Scheduling Coordinator's Metered Balancing Authority Area Load associated with Transmission Ownership Rights.
4. The rate in \$/MWh for the Energy Transmission Services – Uninstructed Deviations Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the absolute value of total annual forecasted net Uninstructed Imbalance Energy (netted within a Settlement Interval summed over the calendar month) in MWh; provided that the rate for each Scheduling Coordinator's Participating Intermittent Resources will be assessed against the Uninstructed Imbalance Energy of such Participating Intermittent Resources netted over the Trading Month.

5. The rate in \$/MWh for the Core Reliability Services/Energy Transmission Services – Transmission Ownership Rights Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total annual forecasted Metered Balancing Authority Area Load associated with Transmission Ownership Rights.
6. The rate in \$ per Schedule or \$ per Inter-SC Trade for the Forward Scheduling Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted number of non-zero MW Day-Ahead and HASP Schedules, as may be modified in accordance with Part F of this Schedule 1, including all awarded Ancillary Service and Residual Unit Commitment Bids and all Inter-SC Trades, including Inter-SC Trades of IFM Load Uplift Obligations. This charge will be assessed separately with respect to Schedules and Inter-SC Trades.
7. The rate in \$/MWh for the Market Usage Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted total purchases and sales (including out-of-market transactions) of Ancillary Services, Energy, Instructed Imbalance Energy, and net Uninstructed Imbalance Energy (with Uninstructed Imbalance Energy for Participating Intermittent Resources netted over the Trading Month and all other Uninstructed Imbalance Energy being netted within a Settlement Interval) in MWh. A Market Usage Charge rate will be calculated separately for two sets of CAISO Markets: (i) the Ancillary Services and RTM rate will be based on MWh of purchases and sales of Ancillary Services in the DAM, the HASP, and the RTM, MWh of Instructed Imbalance Energy, and MWh of Uninstructed Imbalance Energy netted over the Settlement Interval; and (ii) the rate for the Day-Ahead Market for Energy will be based on MWh of ~~net~~ Energy purchases or sales in the DAM. For Scheduling Coordinators with both purchases and sales of Energy in the DAM, the rate for the Day-Ahead Market for Energy will be based on the greater amount of MWh associated with either purchases or sales. For Scheduling Coordinators submitting Self Schedules, the rate for the Day-Ahead Market for Energy will be based on the greater amount of MWh associated with either supply or demand. ~~, offset by MWh of net Energy associated with Inter-SC Trades of Energy in the DAM.~~
8. The rate for the Settlements, Metering, and Client Relations Charge will be fixed at \$1000.00 per month, per Scheduling Coordinator ID Code (SCID) with an invoice value other than \$0.00 in the current Trading Month.

For a Scheduling Coordinator for a Load following MSS, the GMC service charges set forth in above shall be applied as set forth in Section 11.22.3 of the CAISO Tariff.

The rates for the foregoing charges shall be adjusted automatically each year, effective January 1 for the following twelve months, in the manner set forth in Part D of this Schedule.

Part B – Quarterly Adjustment, If Required

Each component rate of the Grid Management Charge will be adjusted automatically on a quarterly basis, up or down, so that rates reflect the annual revenue requirement as stated in the CAISO's filing or posting on the CAISO Website, as applicable, if the estimated revenue collections for that component, on an annual basis, change by more than five percent (5%) or \$1 million, whichever is greater, during the year. Such adjustment may be implemented not more than once per calendar quarter, and will be effective the first day of the next calendar month.

The rates will be adjusted according to the formulae listed in Appendix F, Schedule 1, Part A with the billing determinant(s) readjusted on a going-forward basis to reflect the change of more than five percent (5%) or \$1 million, whichever is greater, from the estimated revenue collections provided in the annual informational filing.

Part C – Costs Recovered through the GMC

As provided in Section 11.22.2 of the CAISO Tariff, the Grid Management Charge includes the following costs, as projected in the CAISO's budget for the year to which the Grid Management Charge applies:

- CAISO Operating Costs;
- CAISO Other Costs and Revenues, including penalties, interest earnings and other revenues;
- CAISO Financing Costs, including debt service on CAISO Start Up and Development Costs and subsequent capital expenditures; and
- CAISO Operating and Capital Reserves Costs.

Such costs, for the CAISO as a whole, are allocated to the service charges that comprise the Grid Management Charge: (1) Core Reliability Services - Demand Charge, (2) Core Reliability Services – Energy Exports Charge, (3) Energy Transmission Services – Net Energy Charge, (4) Energy Transmission Services – Uninstructed Deviations Charge, (5) Core Reliability Services/ Energy Transmission Services – Transmission Ownership Rights Charge, (6) Forward Scheduling Charge, (7) Market Usage Charge, and (8) Settlements, Metering, and Client Relations Charge, according to the factors listed in Part E of this Schedule 1, and

adjusted annually for:

- any surplus revenues from the previous year as deposited in the CAISO Operating and Capital Reserves Account, or deficiency of revenues, as recorded in a memorandum account;

divided by:

- forecasted annual billing determinant volumes;

adjusted quarterly for:

- a change in the volume estimate used to calculate the individual Grid Management Charge components, if, on an annual basis, the change is five percent (5%) or \$1 million, whichever is greater, from the estimated revenue collections provided in the annual informational filing.

The Grid Management Charge revenue requirement formula is as follows:

Grid Management Charge revenue requirement =

CAISO Operating Costs + CAISO Financing Costs + CAISO Other Costs and Revenues
+ CAISO Operating and Capital Reserves Costs,

[The "USoA" reference below is the FERC Uniform System of Accounts, and is intended to include subsequent re-numbering or re-designation of the same accounts or subaccounts.]

Where,

- (1) CAISO Operating Costs include:
 - (a) Transmission expenses (USoA 560-574);
 - (b) Regional market expenses (USoA 575 subaccounts);
 - (c) Customer accounting expenses (USoA 901-905);
 - (d) Customer service and informational expenses (USoA 906-910);
 - (e) Sales expenses (USoA 911-917);
 - (f) Administrative & general expenses (USoA 920-935);
 - (g) Taxes other than income taxes that relate to CAISO operating income (USoA 408.1); and

- (h) Miscellaneous, non-operating expenses, penalties and other deductions (USoA 426 subaccounts).
- (2) CAISO Financing Costs include:
 - (a) For any fiscal year, scheduled principal and interest payments, sinking fund payments related to balloon maturities, repayment of commercial paper notes, net payments required pursuant to a payment obligation, or payments due on any CAISO notes. This amount includes the current year accrued principal and interest payments due in the first one hundred twenty (120) days of the following year.
 - (b) The debt service coverage requirement, which is a percentage of the senior lien debt service, i.e., all debt service that has a first lien on CAISO net operating revenues. The coverage requirement is twenty-five percent (25%), unless otherwise specified by the rate covenants of the official statements for each CAISO bond offering.
- (3) CAISO Other Costs and Revenues include:
 - (a) Interest earnings (USoA 419) on CAISO Operating and Capital Reserves Account balances, excluding interest on bond or note proceeds specifically designated for capital projects or capitalized interest.
 - (b) Miscellaneous revenues (USoA 421 and 456 subaccounts), including but not limited to Scheduling Coordinator application and training fees, and fines assessed and collected by the CAISO.
 - (c) Other interest expenses (USoA 431) not provided for elsewhere.
- (4) CAISO Operating and Capital Reserves Costs include:
 - (a) The projected CAISO Operating and Capital Reserves Account balance for December 31 of the prior year less the reserve requirement. If such amount is negative, the amount may be divided by two, so that the reserve is replenished within a two-year period. The reserve requirement is fifteen percent (15%) of annual CAISO Operating Costs, unless otherwise specified by (1) the rate covenants of the official statements for each CAISO bond offering, (2) the CAISO Governing Board or (3) the FERC.
 - (b) Funding from current year revenues for approved capital and projects initiated in the fiscal year.

A separate revenue requirement shall be established for each component of the Grid Management Charge by developing the revenue requirement for the CAISO as a whole and then assigning such costs to the service categories using the allocation factors provided in Appendix F, Schedule 1, Part E.

Part D – Information Requirements

Budget Schedule

The CAISO will convene, prior to the commencement of the annual budget process, an initial meeting with stakeholders to: (a) receive ideas to control CAISO costs; (b) receive ideas for projects to be considered in the capital budget development process; and, (c) receive suggestions for reordering CAISO priorities in the coming year.

Within two (2) weeks of the initial meeting, the ideas presented by the stakeholders shall be communicated in writing to the CAISO's officers, directors and managers as part of the budget development process, and a copy of this communication shall be made available to stakeholders.

Subsequent to the initial submission of the draft budget to the finance committee of the CAISO Governing Board, the CAISO will provide stakeholders with the following information: (a) proposed capital budget

with indicative projects for the next subsequent calendar year, a budget-to-actual review for capital expenditures for the previous calendar year, and a budget-to-actual review of current year capital costs; and, (b) expenditures and activities in detail for the next subsequent calendar year (in the form of a draft of the budget book for the CAISO Governing Board), budget-to-actual review of expenditures and activities for the previous calendar year, and a budget-to-actual review of expenditures for the current year. Certain of this detailed information which is deemed commercially sensitive will only be made available to parties that pay the CAISO's GMC (or regulators) who execute a confidentiality agreement.

The CAISO shall provide such materials on a timely basis to provide stakeholders at least one full committee meeting cycle to review and prepare comments on the draft annual budget to the finance committee of the CAISO Governing Board.

At least one month prior to the CAISO Governing Board meeting scheduled to consider approval of the proposed budget, the CAISO will hold a meeting open to all stakeholders to discuss the details of the CAISO's budget and revenue requirement for the forthcoming year. To the extent that such a meeting will deal with complex matters of budgetary and policy import, the CAISO will endeavor to host a workshop on the CAISO's budget preparation process in advance of the meeting to better prepare stakeholders.

Prior to a final recommendation by the finance committee of the CAISO Governing Board on the CAISO's draft annual budget, the CAISO shall respond in writing to all written comments on the draft annual budget submitted by stakeholders and/or the CAISO shall issue a revised draft budget indicating in detail the manner in which the stakeholders' comments have been taken into consideration.

The CAISO will provide no fewer than forty-five (45) days for stakeholder review of its annual budget between initial budget posting and final approval of the budget by the CAISO Governing Board.

Budget Posting

After the approval of the annual budget by the CAISO Governing Board, the CAISO will post on the CAISO Website the CAISO operating and capital budget to be effective during the subsequent fiscal year, and the billing determinant volumes used to develop the rate for each component of the Grid Management Charge, together with workpapers showing the calculation of such rates.

Annual Filing

If the Grid Management Charge revenue requirement for any Budget Year does not exceed \$197 million, the CAISO shall not be required to make a Section 205 filing to adjust the GMC charges calculated in accordance with this Schedule 1 to collect such revenue requirement. In order for the CAISO to adjust the GMC charges to collect a Grid Management Charge revenue requirement for a Budget Year that exceeds \$197 million, the CAISO must submit an application to the FERC under FPA Section 205. In any event, the CAISO shall submit a filing under FPA Section 205 for approval of the Grid Management Charge to be effective no later than January 1, 20102011. In such filing, the CAISO may revise the Grid Management Charge rates set forth in this Schedule 1, but shall not be required to do so.

Periodic Financial Reports

The CAISO will create periodic financial reports consisting of an income statement, balance sheet, statement of operating reserves, and such other reports as are required by the CAISO Governing Board. The periodic financial reports will be posted on the CAISO Website not less than quarterly.

Part E – Cost Allocation

1. The Grid Management Charge revenue requirement, determined in accordance with Part C of this Schedule 1, shall be allocated to the service charges specified in Part A of this Schedule 1 as follows, subject to Section 2 of this Part E and to Part F of this Schedule 1. Expenses projected to be recorded in each cost center shall be allocated among the charges in accordance with the allocation

factors listed in Table 1 to this Schedule 1, subject to Section 2 of this Part E and to Part F of this Schedule 1. In the event the CAISO budgets for projected expenditures for cost centers are not specified in Table 1 to Schedule 1, such expenditures shall be allocated based on the allocation factors for the respective CAISO division hosting that newly-created cost center. Such divisional allocation factors are specified in Table 1 to this Schedule 1.

Debt service expenditures for the CAISO's existing bond offerings shall be allocated among the charges in accordance with the allocation factors listed in Table 1 to this Schedule 1, subject to Section 2 of this Part E and to Part F of this Schedule 1. Capital expenditures shall be allocated among the charges in accordance with the allocation factors listed in Table 2 to this Schedule 1, subject to Section 2 of this Part E and to Part F of this Schedule 1, for the system for which the capital expenditure is projected to be made.

Any costs allocated by the factors listed in Table 1 and Table 2 to the Settlements, Metering, and Client Relations Charge category that would remain un-recovered after the assessment of the charge for that service specified in Section 8 of Part A of this Schedule 1 on forecasted billing determinant volumes shall be reallocated to the remaining GMC service categories in the ratios set forth in Table 3 to this Schedule 1.

The cost allocation factors in Tables 1, 2, and 3 to this Schedule 1 include the following association of factors to the components of the Grid Management Charge, subject to Part F of this Schedule 1:

CRS: This factor is the allocation of costs to the Core Reliability Services – Demand Charge and Core Reliability Services - Energy Exports Charge.

ETS: This factor is the allocation of costs to the Energy Transmission Services – Net Energy Charge and Energy Transmission Services – Uninstructed Deviations Charge, subject to Section 2 of this Part E.

CRS/ETS TOR: This factor is the allocation of costs to Core Reliability Services/Energy Transmission Services – Transmission Ownership Rights Charge for the assessment of the Core Reliability Services – Demand Charge, Core Reliability Services – Energy Exports Charge, and the Energy Transmission Services – Net Energy Charge to Metered Balancing Authority Area Load served over Transmission Ownership Rights.

FS: This factor is the allocation of costs to the Forward Scheduling Charge.

MU: This factor is the allocation of costs to the Market Usage Charge, except for the application of the Market Usage Charge to purchases or sales of Energy in the Day-Ahead Market.

MU-FE: This factor is the allocation of costs to the Market Usage Charge as applied to ~~net~~ purchases or sales of Energy in the Day-Ahead Market. For Scheduling Coordinators with both purchases and sales of Energy in the DAM, the rate for the Day-Ahead Market for Energy will be based on the greater amount of MWh associated with either purchases or sales. For Scheduling Coordinators submitting Self Schedules, the rate for the Day-Ahead Market for Energy will be based on the greater amount of MWh associated with either supply or demand.

SMCR: This factor is the allocation of costs to the Settlements, Metering, and Client Relations Charge.

2. The allocation of costs in accordance with Section 1 and Tables 1 and 2 of this Part E shall be adjusted as follows:

Costs allocated to the Energy Transmission Services (ETS) category in the following tables are further apportioned to the Energy Transmission Services – Net Energy Charge and Energy Transmission Services – Uninstructed Deviations Charge subcategories in eighty percent (80%) and twenty percent (20%) ratios, respectively.

