



## **Northern California Power Agency Comments on the CAISO Proposed Modification to the MRTU Real-time LAP Price Computation**

**December 13, 2006**

Northern California Power Agency (“NCPA”) would like to thank the CAISO for the opportunity to provide comments on the CAISO proposed modification to the MRTU Real-time LAP price computation.

### **Allocation of Real-time LAP Price Neutrality**

In the revised CAISO white paper titled “Proposed Modification to the MRTU Real-time LAP Price Computation”, which was published on December 6, 2006, the CAISO proposes two alternatives for modifying the Real-time LAP pricing computation as filed in the MRTU Tariff. The basic difference between both proposed alternatives is the neutrality charge allocation. One proposed methodology suggests allocating neutrality to all real-time metered load, while the other proposed methodology suggests allocating neutrality only to day-ahead scheduled load.

NCPA strongly supports the proposed methodology in which the neutrality charge resulting from the Real-time LAP pricing computation is allocated to all real-time metered load. As stated in the CAISO white paper, the neutrality charge is a result of the difference between the Load Distribution Factors (“LDF”) used in the day-ahead market and the LDFs used in the real-time market. This change is not directly associated with how load materializes in the real-time market. Entities that schedule load in the day-ahead market or that have load deviations in real-time should not be subjected to costs that result for activities outside of their control (such as cost resulting from changing LDFs). The general fact of the matter is that all such neutrality issues and all load scheduling costs should be attributed to all load. NCPA does not support the proposed methodology of allocating this neutrality charge to day-ahead scheduled load. NCPA

believes that this is inappropriate because it will provide a disincentive for entities to schedule load in the day-ahead market and could shift costs to those who do.