



651 Commerce Drive
Roseville, CA 95678

phone (916) 781-3636
fax (916) 783-7693
web www.ncpa.com

Comments of Northern California Power Agency Cost Allocation Guiding Principles – Straw Proposal

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Northern California Power Agency (“NCPA”) provides the following comments in response to the Cost Allocation Guiding Principles straw proposal posted by CAISO on February 14, 2012. Overall, NCPA supports CAISO’s effort to establish cost allocation guidelines to ensure costs are allocated equitably among market participants. NCPA supports each of the guiding principles proposed by the CAISO, with the following exception:

- Policy Alignment – While it would be very difficult to completely divorce CAISO’s market design from state and federal policy goals, NCPA believes that CAISO’s market design should be driven by and geared toward economic efficiency. There are many local, state and federal jurisdictional authorities that shape and/or develop policy goals, and the application of such goals is not applied equally to all market participants. The CAISO’s role is to act as the Independent System Operator; therefore CAISO must be very careful when designing cost allocation methodologies that are influenced by local, state and federal policy goals. NCPA believes that the balance of the proposed guiding principles must take precedence over the principle of Policy Alignment.