

Stakeholder Comments

Cost Allocation Guiding Principles Draft Final Proposal

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) respectfully provides these comments on the California Independent System Operator’s (CAISO) Cost Allocation Guiding Principles Draft Final Proposal.

1. SCE supports the changes and clarifications in the draft final proposal, and proposes additional amendments.

- a. The principles should guide market designs such that market efficiency and operations improve. These clear, economically rational principles effectively target this objective.
- b. Changing “Policy Alignment” to “Accurate Price Signals” reflects the fact that a transparent market with proper cost allocation is the best way to monitor the implementation of policy goals.
- c. In its comments on the Guiding Principle Straw proposal, SCE advocated that the language of the ‘Causation’ principle be changed so that costs only flow to the parties that drive the costs.
 - i. The ‘Causation’ principle still reads that costs “will be charged to resources and/or market participants that benefit from and/or drive the costs.”
 - ii. SCE supports the idea that the CAISO should instead define the “Causation” principle exclusively to allocate costs to the entities that create or drive them, excluding consideration of “benefits”. This effort focuses on cost-causation and should be scoped accordingly.
- d. SCE agrees that costs should flow to the resources that drive the cost, regardless of whether the resource can currently alter the behavior that causes those costs.
 - i. Properly assigning costs allows consideration of them in the resource-procurement process. Projects that can manage costly behavior will increase its value.
 - ii. Assigning costs incentivizes resources to consider project upgrades or changes in operating practices that could mitigate costly behaviors. For example, persistent charges for upward deviation may encourage a wind resource to consider feathering its blades, or a solar resource to curtail its generation to soften its ramp rate.
- e. When allocating costs to any class of resources/load, the CAISO should follow existing settlement processes of flowing such costs to the Scheduling Coordinator representing the specific resource/load. There may be instances where existing contracts might not have contemplated the allocation of new integrating costs. In such instances, limited grandfathering might be appropriate. However, by establishing proper costs allocation now, future contracts can deal directly with these costs.

2. SCE supports application of these principles to all cost allocation initiatives.

- a. Costs from many products are not yet allocated based on these guiding principles. SCE looks forward to future initiatives to develop appropriate cost-allocation.

- b. SCE recommends the CAISO consider the cost-allocation for Regulation next.
- c. These guiding principles should endure from initiative to initiative. In addition to the benefits of these principles in more efficient and fair cost-allocation, durable principles also provide certainty for market participants and stakeholders by which to plan. The CAISO should ensure the durability of these principles.