

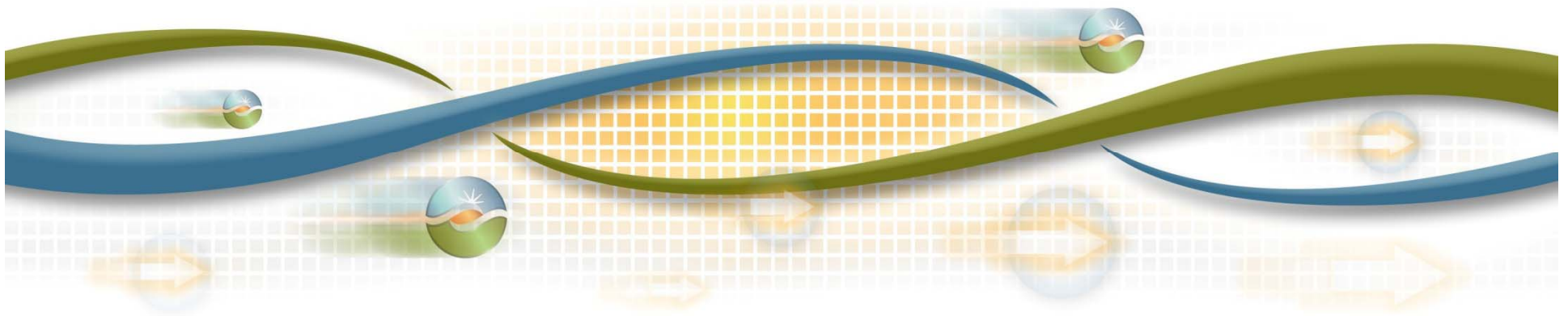


California ISO
Shaping a Renewed Future

Decision on 2012 GMC Rate Design

Ryan Seghesio
Chief Financial Officer & Treasurer

Board of Governors Meeting
General Session
May 18-19, 2011



The ISO is proposing a substantial revision of the grid management charge design effective in 2012.

- The grid management charge (GMC) is the vehicle through which the ISO recovers all of its costs.
- Basic structure has remained the same since 2004 with limited changes around the new market design and other market enhancements.
- Management, with stakeholder support, intends to simplify the existing structure to a more transparent design similar to other ISO/RTOs with nodal markets.
 - Existing GMC: 17 charges across 7 cost categories
 - Proposed GMC: 8 charges across 3 cost categories

The proposed new GMC cost categories are:

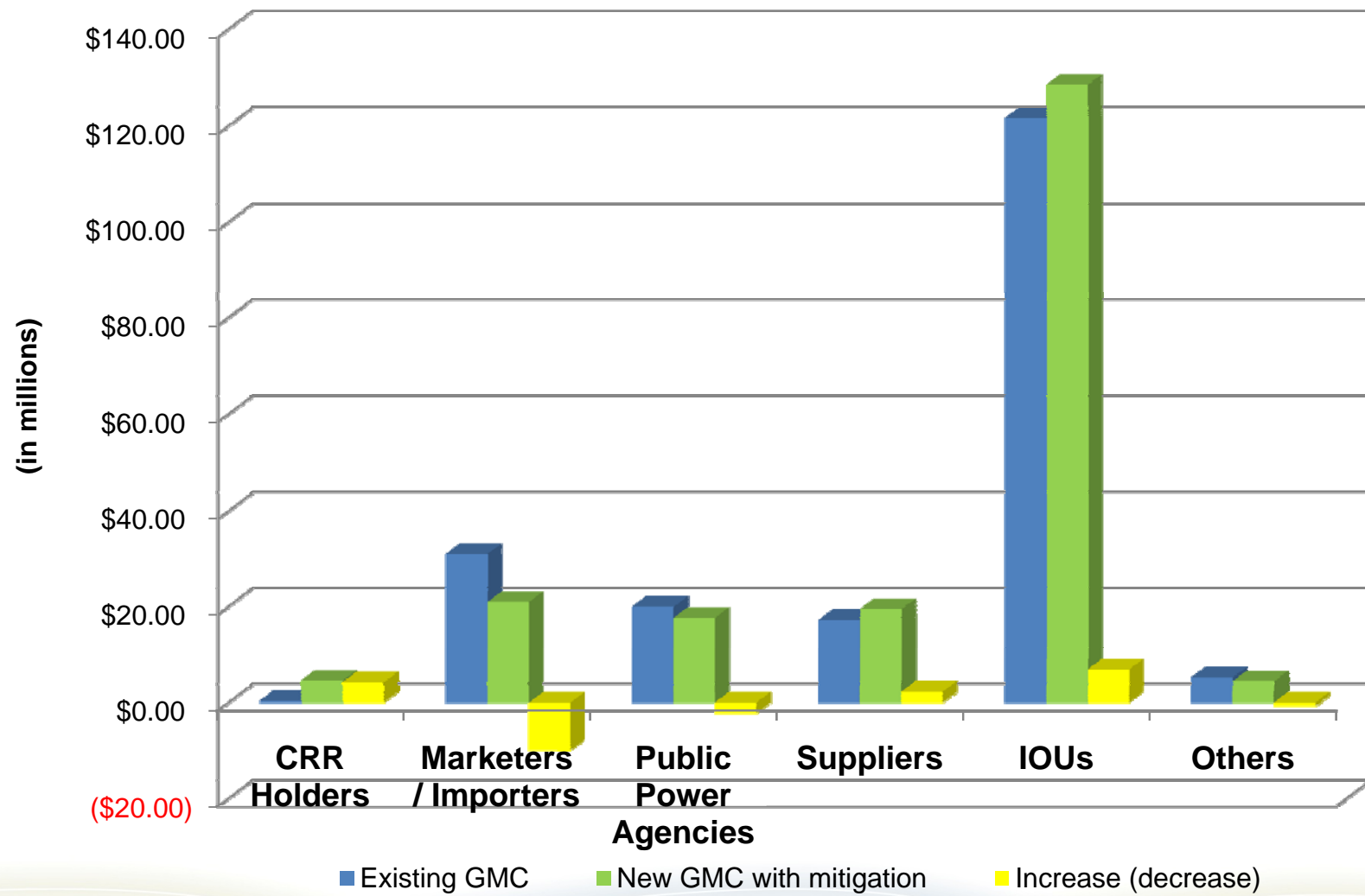
- **Market Services**
 - Gross MWh of awarded energy and ancillary services in day-ahead and real-time markets.
 - Applies to generation, load, imports and exports
 - 27% of 2010 revenue requirement
- **System Operations**
 - Gross MWh of metered demand and supply
 - Applies to generation, load, imports and exports
 - Exempt specified contracts that cannot pass through new GMC charge
 - Added special category for use of separately owned transmission
 - 69% of 2010 revenue requirement
- **Congestion Revenue Rights Services**
 - MWh of awarded congestion revenue rights
 - Applies to auction and allocated congestion revenue rights
 - 4% of 2010 revenue requirement


Revenue requirement cap proposal:

- Previous cap was established in 2004 at \$195M
- Increased to \$197M in 2006 and granted one year extensions since then
- ISO has demonstrated fiscal management increasing cap by only \$2M in 7 years
- Propose a 3 year cap
- Retain existing baseline cap of \$197M in 2012 and a one time increase to \$199M in 2013

Year	Rev Req Cap (in millions)
2012	\$197
2013	\$199
2014	\$199

Current impact on customer classes of new GMC design





Management completed a successful stakeholder process.

- The stakeholder process began in April 2010
- Design went through several revisions
- Stakeholders generally supportive of design

Certain suppliers had significant increases in their GMC.

- Primarily due to base load generators that were locked into inflexible long-term contracts
- Resolution of this issue was to allow the grandfathering of these specific units
- Approximately \$2.5 million of expected GMC affected.

Congestion revenue rights per transaction charge

- \$1 per congestion revenue rights transaction charge
- Market participants have not been charged for this service since the start of the new market
 - ISO incurs approximately \$7.5 million in costs
- ISO staff believes this is fair on the principal of cost causation
- Impact is small, less than \$500,000

Management recommendation

- Management recommends approval of the new GMC design and revenue requirement cap proposal.
- The new design offers market participants a much more transparent and simpler structure for which to forecast and predict their share of the ISO's costs.