

CCSF Comments on Proposed CAISO Marginal Loss Surplus Study August 11, 2006

In its MRTU Comments, PG&E pointed out an important issue – that transmission losses are not uniformly spread throughout the CAISO system, yet the CAISO proposes to refund the marginal loss surplus uniformly. PG&E recommended “a simple solution to this issue that would be equitable and consistent with the historical differences between the transmission systems in California. The allocation of over-collected marginal losses should use the proportionate share of an SC’s actual marginal loss charges to the total marginal loss charges, rather than the SC’s load share.”¹ CCSF, Silicon Valley Power and Bay Area Municipal Transmission all supported PG&E’s proposed solution.

In its June 2, 2006 Answer, CAISO committed to study the issue raised by PG&E and to make the results of this study available to all stakeholders.² CCSF supports the CAISO’s willingness to study this issue, but believes the CAISO’s proposed study³ is structured such that it will not adequately address the issue identified by PG&E. Specifically, it will not identify whether entities within a Load Aggregation Point (LAP) pricing area may have disproportionately contributed to the marginal loss surplus, without receiving a commensurate refund of the surplus. This issue is of particular concern to CCSF, since effective September 1, 2006 CCSF will assume the Scheduling Coordinator responsibilities from PG&E and has agreed to conform its Existing Transmission Contract (ETC) transmission loss factors to CAISO loss factors. Because MRTU as filed forces ETCs to be settled at their nodal price, rather than at the corresponding LAP price, CCSF will be in the untenable position of being assessed marginal losses nodally, but being refunded marginal loss surpluses on a load ratio share basis⁴. The proposed Marginal Loss Surplus study as currently structured will not examine the equity of this issue vis-à-vis ETCs.

CCSF believes that the CAISO has correctly recognized that there might be regional differences in the allocation of marginal losses, but has failed to acknowledge that the sub-regional differences might be even greater. The table below, using CAISO LMP Study 3C data for May and June 2004, shows that the magnitude of the difference in average marginal loss components is more than twice as great for the PG&E San Francisco zone relative to SCE as is the difference for the PG&E region as a whole.

¹ PG&E MRTU Comments at 25

² CAISO Answer at 44

³ CAISO White Paper Framework for Study of Marginal Loss Surplus Allocation Impact

⁴ CCSF notes that if ETCs were allowed to settle at the LAP, rather than nodally, as CCSF urged in its MRTU comments, there would be no need to include the PG&E zone separately in the study, since CCSF would be treated in the same manner as all PG&E load.

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Monthly Average LMP Loss Component (\$/MWh) by Load Zone Per LMP Study 3C in May and June 2004				
Load Zone/Month	May	June	May and June Combined	Difference vs. SCE
PGSF San Francisco	3.02	3.65	3.33	4.19
PG&E	0.84	0.97	0.90	1.76
SCE	(0.78)	(0.95)	(0.86)	-

While CCSF recognizes that this data is not comprehensive, we believe it clearly shows that the marginal loss surplus allocation issue is at least as compelling vis-à-vis CCSF and PG&E as it is vis-à-vis PG&E and SCE. CCSF thus proposes that the Marginal Loss Surplus study explicitly examine the impacts on CCSF. We believe that the CAISO should include the PGSF zone as a subzone within PG&E and may do so without unduly increasing the complexity of the study process. This subzone already is modeled separately in the LMP Studies. Unlike the Path 15/26 modeling effort between PG&E and Edison, energy flows will be unidirectional, since the local generation within the zone is less than the load. Thus, the additional complexity introduced by incorporating the radial PGSF zone should not be as great as it would be if a third, networked zone were introduced. CCSF is willing to work with the CAISO and other market participants to ensure that the study adequately addresses the issue raised by PG&E.

For the reasons cited above, CCSF strongly urges the CAISO to evaluate the impacts of the Marginal Loss Surplus allocation on the PGSF zone so that the study will be able to adequately address the issue raised by PG&E in its MRTU comments.