

# Market Issues Forum Agenda

*March 10, 1999*

<u>Time</u>	<u>Issue</u>	<u>Presenter</u>
12:00 – 12:30	Lunch	
12:30 – 12:45	<b>Opening Remarks</b>	<b>Terry Winter, CEO, Cal ISO</b>
12:45 – 1:45	<b>New Generator Connection Policy</b> <ul style="list-style-type: none"> <li>• Request for policy direction from Board of Governors</li> </ul>	<b>Byron Woertz/Carl Imparato/Bill Englebrecht</b>
1:45 – 2:00	<b>GCP Project Update</b> <ul style="list-style-type: none"> <li>• Implementation plan</li> </ul>	<b>Carol Malugani</b>
2:00 – 2:30	<b>Technical Standards Working Group</b> <ul style="list-style-type: none"> <li>• Possible expanded scope/membership of TSWG</li> <li>• Change management and implementation schedule</li> </ul>	<b>Carol Malugani/Byron Woertz</b>
2:30 – 2:45	<b>Break</b>	
2:45 – 3:05	<b>GMC Unbundling</b> <ul style="list-style-type: none"> <li>• Pursuit of settlement extension/options</li> </ul>	<b>Mike Epstein</b>
3:05 – 3:25	<b>FTR Status Update</b> <ul style="list-style-type: none"> <li>• Requirements for secondary Market Participants</li> </ul>	<b>John Goodin</b>
3:25 – 3:45	<b>FERC Update</b>	<b>Steve Greenleaf</b>
3:45	<b>Wrap Up/Look Ahead to April MIF</b>	<b>Byron Woertz</b>



**CALIFORNIA ISO**

California Independent  
System Operator

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**OPTIONS FOR FILING  
A CONTINUATION OF THE CURRENT GMC  
SETTLEMENT STRUCTURE**

**Presentation to Market Issues Forum**

**MARCH 10, 1999**



## RECENT EVENTS

- On February 25, ISO management requested Board direction for April 30, 1999 GMC filing, with two alternatives presented:

***(A) Continuation of the current settlement structure***

***(B) Simplified unbundling***

➤ **Board selected Alternative A.**

***Alternative A – File a continuation of the current settlement structure in some form:*** File some form of the current structure (e.g., perhaps with a different percentage discount for Existing Contract loads), either as a contested settlement, or in a Section 205 filing.



## ALTERNATIVES

### CONTENT

**1) Current Structure: No changes**

**2) Variation in Discount Percentages- Currently:**

→ **50% for Existing Contracts**

→ **100% for certain CDWR volume**

→ **100% for volume in Control Area not on Controlled Grid**

### FILING STRATEGY

**1) Settlement**

**2) 205 Filing**



## ATTRIBUTES

- *Ability to make credible case*
- *Likelihood of success at FERC*
- *Cost causation*
- *Retain flexibility for future unbundling*
- *Any others proposed by Stakeholders*



## CONTENT

		Current Structure	Variation
<b>S T R A T E G Y</b>	<b>Settlement</b>	(1) Yes (2) No (3) No (4) Yes	(1) Yes (2) No (3) Yes (4) Yes
	<b>205</b>	(1) No (2) No (3) No (4) No	(1) Yes (2) Yes (3) Yes (4) Yes

Attributes
(1) Ability to make credible case
(2) Likelihood of success at FERC
(3) Cost causation
(4) Retain flexibility for future unbundling

# CAISO GMC UNBUNDLING ANALYSIS

## OPTION A

### IMPACT OF CHANGING EXISTING SETTLEMENT DISCOUNTS FOR EXISTING CONTRACTS

ASSUMPTIONS	1999 Forecast	Existing Settlement	Option A1	Option A2	Option A3	Option A4-change discounts	
			Adjust 100% Exclusion Imports	No CDWR Netting	No netting Non-ISO Grid	Adjust 50% Discount to 40%	Adjust 50% Discount to 25%
A) 1999 Forecast of Existing Contract Volumes	22,800	11,400	11,400	11,400	11,400	13,680	17,100
B) 1999 Forecast of CDWR load met by internal generation	3,000	-	-	1,500	1,500	-	-
C) 1999 Load Forecast excl. all 50% Existing Contract Volumes	192,600	192,600	192,600	192,600	192,600	192,600	192,600
D) 1999 Load Forecast on non-ISO Grid met by internal gen.	3,500	-	-	-	1,750	-	-
E) 1999 Load Forecast on non-ISO Grid met by imports	10,000	-	5,000	-	-	-	-
F) 1999 Forecast of all Load (000 MWh)	231,900	204,000	209,000	205,500	207,250	206,280	209,700
G) 1999 Revenue Requirement ('000)		\$ 158,734	\$ 158,734	\$ 158,734	\$ 158,734	\$ 158,734	\$ 158,734
H) 1999 Existing GMC		\$ 0.7781	\$ 0.7595	\$ 0.7724	\$ 0.7659	\$ 0.7695	\$ 0.7570
Percentage Change			-2.4%	-0.7%	-1.6%	-1.1%	-2.7%
Revenue Change for Regular SC			\$ (3,584)	\$ (1,092)	\$ (2,349)	\$ (1,655)	\$ (4,072)
Revenue Change for 50% ETC			\$ (212)	\$ (65)	\$ (139)	\$ 1,657	\$ 4,074
Revenue Change for 100% Exclusion Load-netting			\$ -	\$ -	\$ 1,340	\$ -	\$ -
Revenue Change for 100% Exclusion Load-imports			\$ 3,797	\$ -	\$ -	\$ -	\$ -
Revenue Change for CDWR			\$ -	\$ 1,159	\$ 1,149	\$ -	\$ -

**Option A1** = Only 50% Discount for load on non-ISO grid met by imports; 100% exclusion continues for CDWR & behind the meter non-ISO grid load met by internal generation.

**Option A2** = Existing 100% GMC exclusion for various load maintained; no netting allowed for CDWR.

**Option A3** = No netting allowed for CDWR and for behind the meter non-ISO grid load met by internal generation; these volumes now treated like 50% discount ETC.

**Cost Justification for 50% Existing Contract discount possible if:**

- 1) 45% of revenue requirement is allocated to Market Operations charge, instead of current 23%, for which ETC is exempt, OR
- 2) Current allocations remain, but ETC is exempted from paying Settlements, Metering & Billing charge, OR
- 3) ETC load pays only half of Settlements, Metering & Billing charge, and 35% of revenue requirement is allocated to Market Operations, instead of 23%.

# CAISO GMC UNBUNDLING ANALYSIS OPTION A

## ADJUSTMENTS TO DISCOUNTS FOR EXISTING CONTRACT LOAD

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**ASSUMPTIONS**

	1999 Forecast	Existing GMC Load	Proposed GMC Load	
A) 1999 Forecast of Existing Contract Volumes (000 MWh)	22,800	11,400	22,800	(currently 50% exempt)
B) 1999 Forecast of CDWR load met by internal generation -gross load (000 MW)	2,500	-	2,500	(currently 100% exempt)
C) 1999 Load Forecast excluding all 50% Existing Contract Volumes (000 MWh)	192,600	192,600	192,600	
D) 1999 Forecast of Load on non-ISO Grid Facilities met by internal gen. (000 M)	3,500	-	-	(currently 100% exempt)
E) 1999 Forecast of Load on non-ISO Grid Facilities met by exports (000 MWh)	10,000	-	10,000	(currently 100% exempt)
F) 1999 Forecast of all Load (000 MWh)	231,400	204,000	227,900	
G) 1999 Revenue Requirement ('000)		\$ 158,734		
H) 1999 Existing GMC		\$ 0.7781		

**CALCULATION OF UNIT CHARGES FOR SERVICE**

Category	Control Area	Scheduling	Congestion	Market Operations	Sett., Met. & Bill.	Total
<b>Cost Allocation</b>	<b>35.0%</b>	<b>15.3%</b>	<b>6.3%</b>	<b>20.9%</b>	<b>22.5%</b>	<b>100%</b>
Revenue Requirement (000)	\$ 55,557	\$ 24,286	\$ 10,000	\$ 33,175	\$ 35,715	\$ 158,734
Load (000 MWh) <sup>1</sup>	227,900	227,900	192,600	192,600	192,600	
<b>Unit Charge</b>	<b>\$ 0.244</b>	<b>\$ 0.107</b>	<b>\$ 0.052</b>	<b>\$ 0.172</b>	<b>\$ 0.185</b>	<b>\$ 0.760</b>

Note 1: Control Area and Scheduling include all 1999 forecast load; Billing & Settlements, Congestion & Market Operations include C) only

**CALCULATION OF GMC FOR EACH USER GROUP**

	Full Service	Existing Contract <sup>2</sup>	CDWR Gross Load	Load on non-ISO Grid Facilities	Total Check
Volume (000 MWh)	192,600	22,800	2,500	10,000	227,900
Current GMC Assessed	\$ 0.7781	\$ 0.389	\$ -	\$ -	
<b>Proposed GMC</b>					
Control Area	\$ 0.244	\$ 0.244	\$ 0.244	\$ 0.244	
Scheduling	\$ 0.107	\$ 0.107	\$ 0.107	\$ 0.107	
Congestion	\$ 0.052				
Market Operations	\$ 0.172				
Settlements, Metering & Billing	\$ 0.185				
<b>Proposed GMC</b>	<b>\$ 0.760</b>	<b>\$ 0.350</b>	<b>\$ 0.350</b>	<b>\$ 0.350</b>	
% Change from Existing GMC	-2.3%	-9.9%	N/A	N/A	
New Discount		53.9%	N/A		
Proposed Revenue (000)	\$ 146,367	\$ 7,988	\$ 876	\$ 3,503	\$ 158,734
Existing Revenue (000)	\$ 149,862	\$ 8,870	\$ -	\$ -	\$ 158,732
Change in Revenue (000)	\$ (3,495)	\$ (883)	\$ 876	\$ 3,503	\$ -

Note 2: CDWR gross load on the ISO grid, met by its own generation is currently not assessed any GMC. For the proposed unbundling, this load is treated like other existing contracts and assessed the applicable GMC.



# CAISO GMC UNBUNDLING ANALYSIS OPTION A

## ADJUSTMENTS TO DISCOUNTS FOR EXISTING CONTRACT LOAD

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**ASSUMPTIONS**

	1999 Forecast	Existing GMC Load	Proposed GMC Load	
A) 1999 Forecast of Existing Contract Volumes (000 MWh)	22,800	11,400	22,800	(currently 50% exempt)
B) 1999 Forecast of CDWR load met by internal generation -gross load (000 MW)	2,500	-	2,500	(currently 100% exempt)
C) 1999 Load Forecast excluding all 50% Existing Contract Volumes (000 MWh)	192,600	192,600	192,600	
D) 1999 Forecast of Load on non-ISO Grid Facilities met by internal gen. (000 M)	3,500	-	-	(currently 100% exempt)
E) 1999 Forecast of Load on non-ISO Grid Facilities met by exports (000 MWh)	10,000	-	10,000	(currently 100% exempt)
F) 1999 Forecast of all Load (000 MWh)	231,400	204,000	227,900	
G) 1999 Revenue Requirement ('000)		\$ 158,734		
H) 1999 Existing GMC		\$ 0.7781		

**CALCULATION OF UNIT CHARGES FOR SERVICE**

Category	Control Area	Scheduling	Congestion	Market Operations	Sett., Met. & Bill.	Total
<b>Cost Allocation</b>	<b>38.0%</b>	<b>14.0%</b>	<b>5.0%</b>	<b>23.0%</b>	<b>20.0%</b>	<b>100%</b>
Revenue Requirement (000)	\$ 60,319	\$ 22,223	\$ 7,937	\$ 36,509	\$ 31,747	\$ 158,734
Load (000 MWh) <sup>1</sup>	227,900	227,900	192,600	192,600	192,600	
Unit Charge	\$ 0.265	\$ 0.098	\$ 0.041	\$ 0.190	\$ 0.165	\$ 0.758

Note 1: Control Area and Scheduling include all 1999 forecast load; Billing & Settlements, Congestion & Market Operations include C) only

**CALCULATION OF GMC FOR EACH USER GROUP**

	Full Service	Existing Contract <sup>2</sup>	CDWR Gross Load	Load on non-ISO Grid Facilities	Total Check
Volume (000 MWh)	192,600	22,800	2,500	10,000	227,900
Current GMC Assessed	\$ 0.7781	\$ 0.389	\$ -	\$ -	
<b>Proposed GMC</b>					
Control Area	\$ 0.265	\$ 0.265	\$ 0.265	\$ 0.265	
Scheduling	\$ 0.098	\$ 0.098	\$ 0.098	\$ 0.098	
Congestion	\$ 0.041				
Market Operations	\$ 0.190				
Settlements, Metering & Billing	\$ 0.165				
<b>Proposed GMC</b>	<b>\$ 0.758</b>	<b>\$ 0.362</b>	<b>\$ 0.362</b>	<b>\$ 0.362</b>	
% Change from Existing GMC	-2.6%	-6.9%	N/A	N/A	
New Discount		52.2%	N/A		
Proposed Revenue (000)	\$ 145,949	\$ 8,258	\$ 905	\$ 3,622	\$ 158,734
Existing Revenue (000)	\$ 149,862	\$ 8,870	\$ -	\$ -	\$ 158,732
Change in Revenue (000)	\$ (3,913)	\$ (613)	\$ 905	\$ 3,622	\$ -

Note 2: CDWR's total load on the ISO grid, met by its own generation is currently not assessed any GMC. For the proposed unbundling, this load is treated like other existing contracts and assessed the applicable GMC.

# CAISO GMC UNBUNDLING ANALYSIS

## NET LOAD BASIS WITH TWO USER CLASSES-Load on non-ISO grid facilities receives same treatment as existing contract volumes

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### ASSUMPTIONS

	1999 Forecast	Existing GMC Load	Proposed GMC Load	
A) 1999 Forecast of Existing Contract Volumes (000 MWh)	22,800	11,400	22,800	(currently 50% exempt)
B) 1999 Forecast of CDWR load met by internal generation -gross load (000 MWh)	3,000	-	-	(currently 100% exempt)
C) 1999 Load Forecast excluding an 50% Existing Contract Volumes (000 MWh)	192,600	192,600	192,600	
D) 1999 Forecast of Load on non-ISO Grid Facilities met by internal gen. (000 MWh)	3,500	-	-	(currently 100% exempt)
E) 1999 Forecast of Load on non-ISO Grid Facilities met by exports (000 MWh)	10,000	-	-	(currently 100% exempt)
F) 1999 Forecast of all Load (000 MWh)	231,900	204,000	215,400	
G) 1999 Revenue Requirement ('000)		\$ 158,734		
H) 1999 Existing GMC		\$ 0.7781		

### CALCULATION OF UNIT CHARGES FOR SERVICE

Category	Control Area	Scheduling	Congestion	Market Operations	Sett., Met. & Bill.	Total
<b>Cost Allocation</b>	<b>38%</b>	<b>14%</b>	<b>5%</b>	<b>23%</b>	<b>20%</b>	<b>100%</b>
Revenue Requirement (000)	\$ 60,319	\$ 22,223	\$ 7,937	\$ 36,509	\$ 31,747	\$ 158,734
Load (000 MWh) <sup>1</sup>	215,400	215,400	192,600	192,600	215,400	
Unit Charge	\$ 0.280	\$ 0.103	\$ 0.041	\$ 0.190	\$ 0.147	\$ 0.761

Note 1: Control Area, Scheduling and Billing & Settlements include all 1999 forecast load; Congestion & Market Operations include C) only

### CALCULATION OF GMC FOR EACH USER GROUP

	Full Service	Existing Contracts		Total Check
		Existing Contract <sup>2</sup>	Load on non-ISO Grid Facilities	
Volume (000 MWh)	192,600	22,800	-	215,400
Current GMC Assessed	\$ 0.7781	\$ 0.389	\$ -	
<b>Proposed GMC</b>				
Control Area	\$ 0.280	\$ 0.280	\$ 0.280	
Scheduling	\$ 0.103	\$ 0.103	\$ 0.103	
Congestion	\$ 0.041			
Market Operations	\$ 0.190			
Settlements Metering & Billing	\$ 0.147	\$ 0.147	\$ 0.147	
Proposed GMC	\$ 0.761	\$ 0.531	\$ 0.531	
% Change from Existing GMC	-2.2%	36.4%	N/A	
Proposed Revenue (000)	\$ 146,637	\$ 12,097	\$ -	\$ 158,734
Existing Revenue (000)	\$ 149,862	\$ 8,870	\$ -	
Change in Revenue (000)	\$ (3,225)	\$ 3,227	\$ -	

New Discount = 30.3%

Note 2: CDWR internal load on the ISO grid, met by its own generation is currently not assessed any GMC. Under the proposed unbundling, this load is treated like other existing contract load and assessed the applicable GMC.

**Epstein, Michael**

**From:** Schneider, Susan  
**Sent:** Monday, March 08, 1999 12:11 PM  
**To:** Braun, Tony; Epstein, Michael  
Alexis Wodtke; Barkovich, Barbara; Beach, Cheryl - RJ Rudden; Campo, Bobby; Jobson, Brian; Kehrein, Carolyn; Martin, Charlotte; Cohen, David; Cazalet, Denise; Lucero, Ed; Banaghan, Ellen; Ellis, Jack; Jaffe, Ken; Klurfeld, Scott - Swidler Berlin; Werner, Michael; Wynne, Michele; Johnson, Roger; Barreno, Romulo F; Greenleaf, Steve; Wu, Tong; Walsh, Linda - Howrey & Simon; Nelsen, Deanne; Fuller, Don; Nakhuda, Farouk; Webber, Karen; Windmiller, Michelle; Leiber, Phil; Schneider, Susan; Larson, Ty  
**Subject:** RE: Options for Alternative A to be presented to MIF

Tony -

The language of the Board resolution was ambiguous, and the general perception (stated in your recent communication as well) was that the Board adopted "Option A" from the earlier Management memo. The language of that memo clearly contemplates the possibility of adjusting the percentage discounts while retaining the current Settlement structure (though it certainly does not require it).

So, we have included that choice in the materials for the MIF (and those that will go out to the Board later this week). If the Board meant for us to disregard this possibility, and only file something with the exact same percentages as the current Settlement, with the only necessary discussion being about the filing strategy, then they can say that, and we will have a much shorter discussion.

-Susan

-----Original Message-----

**From:** Tony Braun [SMTP:braun@cmua.org]  
**Sent:** Monday, March 08, 1999 11:43 AM  
**To:** Epstein, Michael  
**Cc:** Alexis Wodtke; Barbara Barkovich; Beach, Cheryl - RJ Rudden; Bobby Campo; Brian Jobson; Carolyn Kehrein; Charlotte Martin; David Cohen; Denise Cazalet; Ed Lucero; Ellen Banaghan; Jack Ellis; Jaffe, Ken - Swidler Berlin; Klurfeld, Scott - Swidler Berlin; Michael Werner; Michele Wynne; Roger Johnson; Romulo Barreno; Steve Greenleaf; Tong Wu - PG&E; Walsh, Linda - Howrey & Simon; Deanne Nelsen; Don Fuller; Farouk Nakhuda; Karen Webber; Michelle Windmiller; Phil Leiber; Susan Schneider; Ty Larson  
**Subject:** Re: Options for Alternative A to be presented to MIF

Dear Michael:

Thank you for forwarding to the unbundling steering committee advance materials for the Wednesday Market Issues Forum meeting.

I attended public sessions of the Audit and Finance Committee meetings at the February ISO Governing Board meeting. I also attended public sessions of the full Board meeting. I have reviewed my notes of these meetings, and discussed these meetings with other attendees. In all of this, I cannot find any expression of Board authorization of, let alone support for, substantive modification of the settlement agreement as part of an ISO GMC filing at FERC by May 1, 1999.

There was discussion, initiated by Governor Fielder, about the option of working up a Section 205 filing to support the outcome of the settlement agreement, in an attempt to address concerns that the settlement would be viewed unfavorably by FERC without cost support. That procedural suggestion does not contain modification of the terms of the settlement within its terms.

To my knowledge, there has been no discussion of modification of the settlement since that idea was discarded in favor of a staff recommendation to make a Section 205 filing.

CMUA believes there are two options left to consider within the confines of Board direction: (1) file for an extension of the settlement agreement, treating

it as a black box and asking FERC's blessing; or (2) working up cost support for the current settlement percentages and making that a Section 205 filing. Modification of the settlement at this eleventh hour runs afoul of several of the considerations which guided the board to reject the interim Section 205 unbundling proposal recommended by Staff last month.

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Please call me if you have any questions respecting CMUA's position on this matter.

Tony Braun

cc: Bill Carnahan  
Marcie Edwards  
Dick Ferreira  
John McGuire  
CMUA Technical Steering Committee

"Epstein, Michael" wrote:

> <<GMC filing options 03-05-99.doc>>

>

> Michael K. Epstein

> Controller

> California ISO

> 916 351-2314 (phone) 916 351-2259 (fax)

> e-mail mepstein@caiso.com

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> Name: GMC filing options 03-05-99.doc

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