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## **Comments of Northern California Power Agency CAISO Catalog of Market Design Initiatives**

**August 1, 2011**

Northern California Power Agency (“NCPA”) provides the following comments on the Catalog of Market Design Initiatives posted by CAISO on July 8, 2011. NCPA’s comments are focused on catalog item 3.2 (Consideration of UFE as part of Metered Demand for Cost Allocation).

Catalog item 3.2 describes the concept where a combination of metered demand plus Unaccounted for Energy (“UFE”) could be used in place of metered demand alone for cost allocation purposes. NCPA requests that the description of catalog item 3.2 be clarified to ensure revisions to the CAISO tariff that could result from this item are correctly applied. CAISO previously made a similar change to its tariff when CAISO restated the definition of NERC/WECC Metered Demand. NERC/WECC Metered Demand is currently defined in Appendix A of the CAISO tariff as follows:

### **NERC/WECC Metered Demand**

For purposes of calculating NERC/WECC Charges, a Scheduling Coordinator’s net metered CAISO Demand plus Unaccounted for Energy for net metered CAISO Demand and Transmission Losses for metered CAISO Demand. A Scheduling Coordinator’s net metered CAISO Demand equals the Scheduling Coordinator’s metered CAISO Demand (which adds Energy associated with imports from and subtracts Energy associated with exports to other Balancing Authority Areas), less metered CAISO Demand for Station Power and for Energy required for storage at electric energy storage facilities, such as pumped storage. For purposes of calculating NERC/WECC Metered Demand, Unaccounted for Energy and Transmission Losses allocable to net metered CAISO Demand will be allocated pro rata to each Scheduling Coordinator based on the Scheduling Coordinator’s net metered CAISO Demand.

The definition of NERC/WECC Metered Demand was previously restated to explicitly include UFE in the calculation of metered demand. Unfortunately, the last sentence of

the definition is applied incorrectly, and results in UFE being inequitably allocated to market participants who have no UFE. The last sentence of the definition states “for the purposes of calculating NERC/WECC Metered Demand, Unaccounted for Energy and Transmission Losses allocable to net metered CAISO Demand will be allocated pro rata to each Scheduling Coordinator based on the Scheduling Coordinator’s net metered CAISO Demand.” This language incorrectly allocates UFE to all load serving entities using a simple pro ration regardless of the actual measured UFE accounted for each load. UFE is explicitly calculated for each individual utility Service Area to ensure that UFE is allocated to those market participants whose load is not exactly metered for settlement purposes. This concept is documented in the definition of UFE and is fully consistent with cost causation principles. Under the definition of NERC/WECC Metered Demand UFE is aggregated and simply allocated to all net metered CAISO Demand which is not consistent with cost causation principles, and effectively reverses the utility Service Area specific allocation of the underlying UFE calculation.

NCPA’s concern rests with the fact that revision of the NERC/WECC Metered Demand definition is referenced in Section 3.2 as an example of the type of change proposed by the State Water Project, and NCPA is concerned that this example could be used or treated as precedence when addressing the issue identified by the State Water Project. If the concept of “Gross Demand” as proposed by the State Water Project is developed to include metered demand plus UFE, NCPA wants to ensure that the inclusion of UFE in the calculation of “Gross Demand” does not simply allocate UFE pro rate to all load, but rather retains the specific UFE utility Service Area allocation so that loads which are not allocated UFE are not indirectly allocated costs associated with UFE through the definition of “Gross Demand” (as is currently done through the definition of NERC/WECC Metered Demand). NCPA would like this issue clarified in the catalog, or would like language added to the catalog that clearly states that catalog item 3.2 will not be addressed using the same process or allocation basis as was used to redefine the definition of NERC/WECC Metered Demand.