

Memo

To: CAISO Board of Governors
From: Michael Rosenberg, EMTRI
Date: 6/16/2011
Re: 2012 Grid Management Charge (GMC) Stakeholder Process

EMTRI appreciates the opportunity to write to the CAISO Board of Governors regarding the 2012 Grid Management Charge (GMC) Stakeholder Process and to reiterate the following points we and other stakeholders made in a number of written comments during the preceding months:

1. EMTRI values the effort put in by the CAISO team working on the 2012 Grid Management Charge proposal ("2012 GMC team") into the current proposal.
2. Regretfully, the objections to a few specific issues related to the proposed Congestion Revenue Rights (CRR) 2012 Grid Management Charge, which came from multiple participants in the stakeholder process, such as Mercuria Energy, LDES, and EDF Trading, were not reflected in the CAISO Final Draft Proposal.
3. In its Final Draft Proposal, 2012 GMC team chose to ignore a practically uniform objection to the arbitrary \$1 CRR Bid Transaction Fee as excessive and unjustifiable - the opinion expressed by multiple financial participants with supporting evidence of such fee as harmful to the market and market efficiency.
4. Instead, 2012 GMC team chose to support a single participant who spoke specifically on the issue of and in support of \$1 CRR Bid Transaction Fee. The entire 2012 GMC team's argument in support of \$1 CRR Bid Transaction Fee in the Final Draft Proposal was copied essentially verbatim from the comments of that single market participant.
5. EMTRI urges CAISO and its Board of Directors to reject this \$1 CRR Bid Transaction Fee. EMTRI also urges CAISO to use \$0.005 CRR Bid Transaction Fee instead, which, when properly applied, reflects the industry standard and ensures the continuation of price discovery and liquidity in the CRR market, allowing it to remain an efficient market. At the same time such change will increase predictability and the forecastability of collected revenue, the very principles CAISO set out in the beginning of the GMC process. This alternative of \$0.005 CRR Bid Transaction Fee was supported by a number of other stakeholders.
6. Additionally, EMTRI believes that CRRs should not be separated into a separate bill determinate. Rather, they should be included into Market Services alongside DA schedules for Energy and Virtual Bidding as they are fundamentally a DAM instrument. Multiple participants submitted numerous objections to the level of CRR charges that would result from separation of CRR into a separate category, as compared with other markets.
7. EMTRI does not have objections to the other parts of 2012 Grid Management Charge (GMC) Final Draft Proposal, unrelated to CRR charges.