

**Comments of Silicon Valley Power
Cost Allocation Guiding Principles – CAISO Straw Proposal**

February 28, 2012

The City of Santa Clara, doing business as Silicon Valley Power (“SVP”) provides the following comments in response to the Cost Allocation Guiding Principles straw proposal posted by CAISO on February 14, 2012. Overall, SVP supports CAISO’s effort to establish cost allocation guidelines to ensure costs are allocated equitably among market participants.

SVP suggests that the principles can be streamlined into three overriding principles: i. cost causation, ii. comparable treatment, and iii. rational. The remaining principles proposed by CAISO are either adequately addressed as subsets of these overriding principles or are not needed. We support eliminating the Policy Alignment principle (it already is captured by the others, and any such policies would be mandated, not voluntary). Additionally, the Synchronized principle could be eliminated (already addressed by the cost causation and manageable principles). Some principles could also best be recognized as sub-principles of others, with the Incentivize Behavior principle as an example (this one overlaps with Cost Causation, therefore it could be deleted or instead it could be explicitly addressed in the cost causation principle by stating that aligning costs with causation is intended to incentivize behavior).

An example of a streamlined approach would look like the following:

Principles

- 1) Causation
 - a) Incentivize Behavior Component
 - b) Synchronized Component (this component could also be deleted - repetitive)
 - c) Manageable Component
- 2) Comparable Treatment
- 3) Rational