Sempra Generation Stakeholder Comments:
CAISO Cost Allocation Guiding Principles
March 15, 2012 Draft Final Proposal

Submitted by	Company	Date Submitted
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Sempra US Gas and Power (Sempra USGP) appreciates this opportunity to provide the following comments on the March 15, 2012 Draft Final Proposal regarding Cost Allocation Guiding Principles. The comments address the allocation principles and consideration of impacts on existing resource contracts and contracts currently in the negotiation process.

The Draft Final Proposal modifies the "Manageable" principle to recognize the need for a transition period and appropriate mechanisms to assign costs consistent with contractual agreements. The CAISO should clarify that it's allocation principles will respect the sanctity of existing contracts, and that the CAISO does not intend to allocate costs not specifically identified in existing contracts or in a manner inconsistent with the terms of existing contracts for the life of the contracts. In addition, the transition period should not impact contracts currently in the negotiation process by providing an implementation date sufficiently in the future. The transition period should also consider the need for well established transparency in costs, so as to allow appropriate and efficient contract pricing.

As a practical matter, the allocation of costs to load serving entities with a means of cost pass through has been, and continues to be an appropriate default to properly incorporate costs in what are predominately long term resource decisions. By consideration of these costs in the least-cost best fit framework, load serving entities can make resource choices that minimize the costs in the long run. Further, LSE's may pursue contractual options to allocate or share costs with generators if deemed desirable. In this manner, the continued allocation of costs to LSEs can result in the least cost approach to implement resource procurement mandates.

Also when addressing the allocation of a "manageable" cost between loads and generation, the CAISO should consider which party is best positioned to manage the cost. LSE's designing a portfolio of fossil and renewable resources have options available to efficiently manage such costs. In this respect LSEs may be better positioned than generators to manage the costs and effectively lower the overall cost of energy procurement.