

**Sempra Generation Stakeholder Comments:
CAISO March 15, 2012 Flexible Ramping Product
Cost Allocation Straw Proposal**

Submitted by	Company	Date Submitted
<i>Shawn Bailey</i> sbailey@SempraUSGP.com (619) 696-2962	<i>Sempra US Gas and Power</i>	<i>March 29, 2012</i>

Sempra US Gas and Power (Sempra USGP) appreciates this opportunity to provide the following comments on the March 15, 2012 Flexible Ramping Product Cost Allocation Straw Proposal. The comments address the allocation and consideration of impacts on existing resource contracts and contracts currently in the negotiation process, and are consistent with comments submitted in the Cost Allocation Guiding Principles stakeholder effort.

The Straw Proposal would assign flexible ramping costs to scheduling coordinators based on deviations from hourly profiles. The Straw Proposal should be modified to explicitly recognize the need for a transition period and appropriate mechanisms to assign costs consistent with contractual agreements. The CAISO should clarify that its allocation proposal 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 the resource offtaker 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, buyers can make resource choices that minimize the costs in the long run. Further, buyers may pursue contractual options to allocate or share costs with generators if deemed desirable. In this manner, the continued allocation of costs to buyers can result in the least cost approach to implement resource procurement mandates.