

Stakeholder Comments Template
Subject: GMC Charge Code 4537 – Market Usage
Forward Energy Straw Proposal

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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CAISO seeks written stakeholder comments on its GMC Charge Code 4537 – Market Usage Forward Energy Straw Proposal, which was posted on August 28, 2009 at <http://www.caiso.com/23f1/23f1eeab40a20.html>

Stakeholders should use this Template to submit written comments. Written comments should be submitted no later than Close of Business on Friday, September 4, 2009 to: csnay@caiso.com. Comments will be posted on the CAISO website.

The CAISO seeks stakeholder input on the following:

1. Do you support the ISO's straw proposal to eliminate ISTs from the MUFE calculation? Please explain why.

Calpine supports the removal of ISTs from the calculation ONLY IF the replacement methodology accurately reflects cost causation. Calpine believes that Option 2 (gross) accurately reflects the costs imposed on the CAISO. If the CAISO does not select Option 2, Calpine prefers the existing methodology.

2. If you do not support removing ISTs from the MUFE calculation, what alternative do you propose? Please explain why your alternative is preferable to the ISO's straw proposal.

See Answer 1.

3. Do you support the ISO's straw proposal to continue netting physical energy in the MUFE calculation? Please explain why.

No. Please refer to Calpine's initial comments wherein we assert that Option 1 violates cost causation principles, shifts cost to generators, encourages balanced scheduling and supports self-scheduling. The CAISO's continued preference for the

physical netting option will compromise Calpine's support for continuation of the current GMC settlement.

4. If you do not support the netting option, what alternative do you propose? Please explain why your alternative is preferable to the ISO's straw proposal.

See Calpine's earlier comments.

Calpine supports option 2 which, as the CAISO states "better reflects cost-causation principles."

The CAISO preference for Option 1 appears to be partially, if not dominantly based upon the bill impacts that would occur as a result of applying proper cost causation principles. We simply do not understand the logic for the CAISO preference. While bill impacts are important, and at times, must be addressed, it is not appropriate to violate cost causation principles.

In regard to bill impacts, Calpine believes, and has provided evidence to the CAISO that the selection of Option 1, the physical netting option, would shift costs from LSEs to generators. Indeed the analysis provided to the CAISO indicates that actual meter data from the month of July would have resulted in a tripling of Calpine's share of the MUFE GMC charge when compared with Option 2!

The bottom line is that bill impacts will happen as the CAISO changes its rate methodology. Those impacts might require some transition, but the impacts should not compromise the fundamental goal of aligning costs with cost causation. Calpine recommends that the CAISO adopt Option 2, the gross allocation methodology.