

California Department of Water Resources State Water Project Comments On Cost Allocation Guiding Principles Draft Final Proposal

March 30, 2012

On March 15, 2012, CAISO posted the Cost Allocation Guiding Principles draft final proposal. On March 19, 2012, CAISO hosted a stakeholders meeting to discuss stakeholders' comments and this draft final proposal. California Department of Water Resources State Water Project (SWP) appreciates the opportunity to provide comments.

SWP supports CAISO in developing these guiding cost allocation principles to allocate costs in the market, if these principles are just and reasonable. History of prior cost allocation principles within stakeholder processes has shown a reluctance to provide a balanced approach to cost allocation, often due to an explanation that the methodology was too difficult, complex, or would take too much time to implement, the result of which has unfairly burdened Measured Demand. For this reason SWP requests the CAISO Board of Governors (BOG) approve the final principles that are developed, and thus affirm management's support to utilize these principles in future initiatives and to revisit existing cost allocation. These principles should be incorporated into the Tariff as an appendix to guide policy makers in the development of proper cost allocation and to prevent reverting to cost allocation solutions that are easier to implement but discriminatory in design.

SWP reiterates its position from previous comments that the Cost Causation principle be of primary importance when developing cost allocation. Additionally, new and recent contracts should have language to address market changes that have been anticipated for some time, therefore transition periods should be limited where contract modification is concerned.