

# **SWP Comments to CAISO on 2010 GMC Rate Structure**

August 12, 2009

California Department of Water Resources – State Water Project (SWP) appreciates the opportunity to comment to CAISO on the 2010 GMC rate structure. SWP offers the following comments:

## **1. Market Usage Forward Energy Charge Should be Applied to Inter SC Trades According to Services Received**

Since the implementation of MRTU on April 1, 2009, CAISO has assessed 100% of the Market Usage Forward Energy (MUFE) charge to Inter SC Trades (IST). SWP's position is that rate structures should be developed based on cost caused or benefits gained by customers. Since ISTs use only the Open Access Same time Information Service and financial settlement service, CAISO can either assess ISTs differently according to the cost of service or simply assess the ISTs a discounted MUFE rate. SWP suggests CAISO to check how other ISOs/RTOs assess ISTs the MUFE-type services.

## **2. ETC Energy should not be Assessed Market Usage Forward Energy Charge under Gross or Net Approach**

In the past, SWP commented that Existing Transmission Contract (ETC) energy should be exempt from being assessed the MUFE. But CAISO didn't incorporate this exemption in the GMC rate structure. Since CAISO is willing to reconsider the reasonableness of assessing ISTs the MUFE charge, CAISO should also reconsider SWP's request to exempt ETC energy from the MUFE charge.

ETC energy does not use CAISO MUFE services and MUFE services are not useful for ETC energy. Through CAISO's market settlement mechanism, payment to ETC generation energy equals the charges to its balanced ETC load, resulting in the ETC generation and ETC load not causing financial impact to or having benefit from the CAISO market. ETC energy doesn't benefit from CAISO market, so ETC energy should not be assessed the MUFE charges.

If ETC energy is exempt from the MUFE charge, SWP doesn't have a position on the gross/net approach in assessing the MUFE to physical energy.

## **3. Functional Association of the SMCR should be revisited**

With regard to the Settlement, Metering and Clint Relations (SMCR) services, SWP understands that the functional association is a necessary step. However, the methodology of functional association should be revisited. The functional association methodology was developed five years ago in 2004. With MRTU implementation, CAISO should revise the functional association methodology. For example, after the cost is recovered from SMCR rate, the remaining revenue requirement was not associated to Core Reliability Services (CRS) and Forward

Scheduling (FS) because it was argued that these were new rates with uncertain impact. Five years later, the CRS and FS are no longer new rates. So the functional association should be updated to include CRS and FS.

#### **4. CAISO should review and update the cost allocation**

SWP suggests CAISO perform a full update to the cost of service study by reviewing and updating the cost allocation to different service categories now that MRTU has been implemented. In this way, recovery of CAISO costs will be more correctly aligned with cost-causation.

#### **5. CAISO should update its review of the administrative charges of other ISOs/RTOs**

SWP believes that there have been changes to the rate structures of other ISOs/RTOs in the several years since the CAISO last made a comparison. A comparison of the different rate structures might shed light on the direction of the 2010 GMC rate development and point to changes that might be made for 2010.