

CMTA and EUF would like to provide brief comments on the CAISO's FERC Order 764 Market Design Protective Measures Draft Final Proposal as discussed on the Stakeholder Call on 8/22. I was not able to make the following comment on the call because I had technical difficulties and ATT's conference call system did not recognize me as being in queue to make a comment.

The CAISO 8/22/2013 presentation states that allocation of the "Difference between protective measure and Order 764 settlement allocated to net negative deviations. Includes costs and revenues."

CMTA and EUF have never understood the CAISO's logic behind allocating the cost of providing settlement protection to intermittent resources to net negative uninstructed deviation. Allocation of those costs to net negative uninstructed deviations is not based on cost causality and will not send a signal to change behavior that will impact the cost of providing the settlement protection.

Why not allocate the cost in a manner that sends a signal to reduce the costs? One way to do that would be to allocate the costs to those Scheduling Coordinators that have contracts with resources using the protective measures. That would provide an incentive for the buyers to amend the contracts to avoid the need to use the protective measures.

The CAISO should move away from using the net negative uninstructed deviations as a "dumping ground" for unrelated costs and move toward allocating those costs based on cost causation and in a way that provides a signal to change the behavior that drives the cost.

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