

Template for comments

Please use the template below to submit comments to the CAISO. Comments are due by close of business Thursday, October 21, 2010 to gmc@caiso.com.

Stakeholder Comments Template **Subject: 2012 GMC Cost of Service Straw Proposal**

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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These comments consist of two parts: appropriateness of the CRR cost category as a separate bill determinate from Market Services, and appropriateness of the structure of CRR bid charges within the current CAISO proposal

1. CRR as a separate charge category

EMTRI strongly believes that CRRs should not be separated into a separate bill determinate. Rather, they should be included into Market Services alongside the Day Ahead schedules for Energy and Virtual Bidding as they are fundamentally a DAM instrument. Transmission congestion is an integral part of Day Ahead Market, and efficient transmission pricing and allocation benefit all market participants, as does efficient commitment and dispatch. Thus, there is no economic rationale for separating CRR services into a separate category; it should remain within a single category of Market Services with all other market services.

2. Specific allocation of charges within the CRR category.

EMTRI strongly believes that there should not be any significant difference between bid charges for CRRs and DAM Generation or Load bids, or virtual transactions. Especially egregious is the arbitrary CRR bid fee of \$1 which appears to be 200 times higher than the bid fee of 0.005 for Load or Generation DAM bids. No other ISO levies such charge. It is not clear how CRR bids that do not clear add such a disproportional cost to the system as compared to Load or Generation DAM bids. EMTRI proposes that these charges be equalized by making the CRR bid charge the same as those for DAM load or generation block bid, i.e. \$0.005 instead of \$1.

The CAISO paper correctly identifies cost causation as an important factor in cost allocation. However, this is not a complete picture as cost causation does not uniquely determine the billing determinants or charge codes proposed by the CAISO. Market efficiency can and does serve as an additional guide to choose between many options. Artificially high bid costs as compared with Load or Generation DAM bids, will discourage participation, reduce volume and liquidity, and thus distort the price discovery of the true market cost of congestion. Other ISOs do not impose high charges on CRRs to avoid these undesirable results. EMTRI's proposed bid charge

will ensure continued participation, preservation of liquidity, and market price discovery in the CAISO congestion market.