

## 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](mailto:gmc@caiso.com).

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

<b>Submitted by (Name and phone number)</b>	<b>Company or Entity</b>	<b>Date Submitted</b>
Michael Rosenberg	EMTRI	October 29, 2010

ISO seeks written stakeholder comments on its 2012 GMC Cost of Service Straw Proposal Paper located at: <http://www.caiso.com/281a/281ac7f165ad0.html>

Stakeholders should use this Template to submit written comments and or suggestions. Written comments should be submitted no later than Close of Business on Monday, November 29, 2010 to: [gmc@caiso.com](mailto:gmc@caiso.com). Comments will be posted on the ISO website.

The subject areas upon which ISO seeks stakeholder input are:

1. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.

EMTRI believes that CRRs should not be separated into a separate bill determinate. Rather, they should be included into Market Services alongside DA schedules for Energy and Virtual Bidding as they are fundamentally a DAM instrument.

2. Please comment on the options the ISO has described for the billing determinants for allocating charge codes to users. Please describe any other options you believe should be considered.

EMTRI strongly believes that there should not be any significant difference between charges for CRRs and DAM Generation or Load bids, or virtual transactions. Especially egregious are the multipliers, proportional to the number of hours, thus making bidding for and holding CRRs unjustifiably expensive. The bid-block charge for CRRs does not need to be scaled by the number of hours in the month – time-of-use, since there is no incremental cost associated with the production of CRR allocations or awards for the subsequent 415 hours in addition to the first hour in the month – time-of-use in the CAISO's example on page 15. EMTRI proposes the

removal of this scaling factor from the formula on page 15, thus making the CRR charge for 100 MW equal \$1.26. Also, the CRR bid fee of \$1 appears to be 200 times higher than the bid fee of 0.005 for Load or Generation DAM bids. 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. High charges on CRRs, resulting from artificial scaling by CRR time-of-use hours that do not add additional costs, or 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 charges will ensure continued participation, preservation of liquidity, and market price discovery in the CAISO congestion market.