1a. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **Market Services Charge and others combined**		ISO comments
EDF Trading	EDF Trading appreciates the opportunity to provide comments on the grid management charge straw proposal. EDF supports the principles used for the new GMC structure. However, we question the rates at which they are currently proposed. The GMC structure is "simply a mechanism to recover ISO revenue requirements in a manner which minimizes market impacts." The ISO must balance its' cost recovery efforts with their impacts on the market. EDF feels that by setting the Market Services, CRR, and CRR Bid charges at their current levels, the negative impacts will outweigh the benefits to the market. The liquidity in the markets could be significantly lower should these charges be implemented at the proposed rates. **Market Services Charge** No other ISO has such a high market services charge. This charge will have a negative impact on the liquidity of the market and convergence of the Day Ahead and Real Time prices. By imposing high charges on market activities, it is likely the activity in the financial markets will be significantly lower which will counteract the benefits of implementing convergence bidding. EDF believes this charge should be significantly lowered or taken out of the proposal all together. . **CRR Charge on cleared MW** When comparing the straw proposal to other ISO's, PJM is the most appropriate since this is the most established and liquid market. The current CRR charge of .0126 per MWh is more than five times the rate of PJM of .0024 per MWh. EDF feels that this charge code should be brought down to a similar level as PJM. **CRR Bid Transaction fee** No other ISO charges such a high fee on CRR transactions. At the current level the CRR charge will successfully deter phishing bids, but will hinder the market by causing a lack of liquidity in the CRR market. PJM charges .0012 per bid segment submitted and ISO-NE charges .0065 per bid segment. EDF believes there is a rate somewhere between these two numbers that strikes a balance between cost recovery and market efficiency.	The cost structure is described in detail in the cost of service study and associated exhibits published October 7, 2010 and discussed in depth at the October 18, 2010 stakeholder meeting. The rates were developed to recover the revenue required to support each cost category. The cost catagories are based on functional assignment of labor, administrative support,and systems costs through activity based costing. The basis of the ISO's proposed GMC design changes are more fully described in the proposal papers. A comparison of fees charged by other ISO/RTOs for market services and CRRs indicates the Cal ISO is not significantly different on the % of revenue requirement for those cost categories or their rates, except for PJM rates where the variance relates to significantly higher footprint and volumes. The comparisons with other ISO/RTOs was included in the cost of service study filed October 7, 2010 and discussed in the stakeholder meeting October 14, 2010..
BPA	During the conference call this morning regarding the GMC straw proposal the ISO was discussing the transaction/administrative fee and they were discussing the Bid Segment Transaction fee of $.005 proposed. I knew that the ISO was proposing this fee for convergence bidding and then they said today that they were	Participants will be able to access information related to bid segments through SIBR. SIBR has

1a. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **Market Services Charge and others combined**		ISO comments
	now going to include it with all bid segments. Now for my question: **Bid segment fee** On the call they said, I believe, that this will be for all bid segments, not only for awarded schedules but for just putting bids into the system. Is that correct? How will the ISO present that value on the invoice for SCs to verify that the number of bid segments on the invoice match what we think they should be? Does the ISO have a system that actually counts each bid segment? This could become a very large dollar value if they do include all bid segments, awarded or not.	an API which allows participants to download information associated to their Cleaned Bids. The functionality to download Clean Bid information will be introduced with the implementation of Convergence Bidding. ISO systems will be configured to validate the number of bid segments for each SC.
NCPA	NCPA takes no position at this stage of the stakeholder process regarding the overall proposal to restructure the Grid Management Charge ("GMC") buckets, but rather focuses its comments on a specific detail of the CAISO proposal. In its straw proposal CAISO provides a list of billing determinates that will be used for billing each of the three proposed GMC buckets. The CAISO states that the Market Services charge code is designed to recover costs the CAISO incurs for running the markets. As such, the CAISO proposes this charge code will be applied to each Scheduling Coordinator's gross absolute value of awarded MWh of energy and MW per hour of ancillary services in the forward and real time market. The CAISO also describes each billing determinate that will be used to calculate the Market Services GMC charge. **Market Services Charge** Of the billing determinates listed by the CAISO NCPA believes that the billing determinate described as MSS Load Following should not be included and removed from the list of billing determinates used in the Market Services GMC charge code. As described in Section 34.12 (Metered Subsystems) of the CAISO Tariff, Load Following MSS Operators are required to submit an estimate of the number of MWs an applicable generating resource(s) will be generating over the next two hours in five-minute interval resolution to perform load following. The estimated number of MWs the MSS Operator may use to perform load following is submitted by the Scheduling Coordinator of the MSS Operator to the CAISO. This information is then processed by the CAISO and echoed back to the MSS Operator as a Load Following instruction. The MW amount submitted by the MSS Operator is always equal to the instruction provided by the CAISO. CAISO uses this information to supplement its dispatch in real-time. The estimate submitted to the CAISO by the MSS Operator, and the resulting Load Following instruction is different in nature than the other billing determinates listed. A Load Following instruction is not issued by the CAISO in response to a traditional market offer. This information is not provided to the CAISO as a Bid or Self-Schedule with the intent of being awarded energy or ancillary services, but rather is used as a mechanism to communicate and share information with the CAISO that is used to supplement CAISO's dispatch. NCPA does not require or have a need to receive Load Following instructions from CAISO to perform follow load. This is recognized in Section 34.12 of the CAISO Tariff, which	*Revised response:* The CAISO has considered this further and have determined that excluding the MSS Load Following instructed imbalance energy ,which is energy resulting from the MSS performing It's load following function, from the Market Services GMC charge is consistent the guiding principles and other aspects of the GMC proposal.

<table>
<tr><th colspan="2">1a. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- Market Services Charge and others combined</th><th>ISO comments</th></tr>
<tr><td></td><td>states MSS Load following resources can deviate from the Dispatch Instructions in Real-Time to facilitate the following of Load.

It is already recognized in the CAISO Tariff that Load Following instructions are not assessed GMC charges. Section 11.22.2.5.7 (Market Usage Charge) of the CAISO Tariff states the following:

The Market Usage Charge for each Scheduling Coordinator is calculated according to the formula in Appendix F, Schedule 1, Part A, subject to the requirements set out in Appendix F, Schedule 1, Part F. {For a Scheduling Coordinator for a Load following MSS, Instructed Imbalance Energy associated with Load following instructions will not be assessed the Market Usage Charge for Instructed Imbalance Energy and will be netted with Uninstructed Imbalance Energy for determining the Market Usage Charge for net Uninstructed Imbalance Energy.}</td><td></td></tr>
<tr><td>SCE</td><td>Southern California Edison has the following comments on the “2012 Grid Management Charge Straw Proposal”, dated November 11, 2010. As SCE stated in its prior comments submitted on the initial “2012 GMC Cost of Service Study Discussion Paper” dated October 8, 2012, SCE is in general agreement with the principles that the ISO has set forth to guide the development of the 2012 GMC, and that the three service categories the ISO proposes (Market Services, System Operations, and CRR Services) are the appropriate services for a GMC structure that will achieve the principles set forth by the ISO.

In this latest discussion paper, the ISO has added details on how the ISO proposes to recover the costs allocated to these three service categories from market participants, by proposing billing determinants and also certain additional “administrative fees”.
Market Services Charge
The Market Services charge is proposed to be assessed to gross amounts of “schedules and awards” in the ISO’s markets. The discussion paper lists 18 specific quantities that would compose this billing determinant. SCE’s preliminary review of these 18 quantities is that these seem to be proper.

In the current GMC structure in SCE has taken the position that an analogous charge to the Market Services charge should be assessed using to net amount of participation in the ISO’s markets. For example, the “Market Usage – Forward Energy” charge was assessed to net participation in the Forward markets until it switched on June 1, 2010 to a “max of gross” method. SCE believes that netting of supply-side quantities against demand-side quantities appropriately measures a Scheduling Coordinators use of and benefits from the ISO’s markets. Accordingly, at this time SCE supports netting for the Market Services charge.
Systems Operation charge
The System Operations charge is proposed to be assessed to the “gross absolute value of actual real-time</td><td>Market Services Charge
Although the ISO agreed to an alternative method in the MUFE settlement, the ISO clearly stated in that proceeding (and FERC agreed in its order), that this was an interim measure and that the preferred method should be based on total gross MW amounts. The approach proposed for the 2012 GMC is consistent with cost causation. An SC’s use of the ISO market services is captured most accurately in the total gross MW of supply and demand, since under the ISO’s market structure supply and demand bids are</td></tr>
</table>

1a. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **Market Services Charge and others combined**		ISO comments
	MWh energy flow". The ISO lists six specific quantities that would compose this billing determinant. SCE' preliminary review of these six quantities is that they seem to be proper. **CRR charge** The CRR charge is proposed to be assessed on each Scheduling Coordinator's total MW holdings of CRRs in each hour. SCE agrees that this proposed billing determinant is proper. **Other fees and charges** The discussion paper also proposes certain administrative fees, including: 1) a Bid Segment Transaction Fee; 2) a CRR Bid Transaction Fee; 3) an Inter-SC Trade Transaction Fee; and 4) an SCID Administrative Fee. SCE believes these proposed fees are in general appropriate. However, as SCE understands the SCID Administrative Fee, it would be assessed to SCs for any open SCID. Since settlement reruns may occur for a period of 36 months after the trading month, if an SC closed out an SCID the SC would continue to be assessed the $1,000 for a period of 36 months after it closed out the SCID. SCE is evaluating whether it supports this aspect of the SCID Administrative Fee. **TORs** The discussion paper acknowledges that the allocation of an administrative fee to TORs is an issue for further discussion and will be addressed during the stakeholder process to finalize the GMC design. SCE agrees that this should occur, as the cost impacts that TORs impose on the ISO are less than the cost impacts of energy scheduled in ISO markets and delivered over ISO-controlled transmission is lower than that over TORs. **PIRP charges** SCE is also interested in the ISO's plans for the GMC as it would be applied to PIRP participants. In the current GMC structure, the charge for Energy and Transmission Services – Uninstructed Deviations is assessed to monthly netted amounts of Uninstructed Deviations. Under the proposed GMC rate structure, where the charges are assessed to gross measures of use of Market Services or System Operations, it appears to SCE that there should be no analogous treatment for PIRP schedules. SCE looks forward to reviewing the GMC data to be distributed in early December and participating in the remainder of the GMC stakeholder process.	processed in the software systems and cleared in the market optimizations as distinct quantities. **SCID fee** After further review of the ISO's initial proposal and stakeholder comments, the ISO proposes that the current treatment of the SCID fee remain unchanged. **TORs** The treatment of TORs will be addressed after the initial proposal and impacts are reviewed. **PIRP charges** The ISO proposes that PIRP volumes be treated like any other volumes in the market or grid.
CDWR	The California Department of Water Resources State Water Project (SWP) welcomes this opportunity to submit comments specific to the 2012 Grid Management Charge Straw Proposal published by the CAISO on November 11, 2010. SWP's current comments are based upon its understanding of the straw proposal and the November 18, 2010 CAISO 2012 GMC teleconference call. In following the guiding principles used by the CAISO, SWP wish to bring attention to the following billing determinants that appears to have been omitted from the list presented in Section B.1. for the Market Services proposal. Inclusion of the following billing determinate will enable the list in Section B.1. to maintain consistency with the examples presented in the straw proposal and in the December 18 teleconference call.	The ISO agrees. A market participant should not be able to avoid the market services charge by not scheduling. Therefore the market services will be the greater of what was scheduled or what actually was delivered.

1a. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **Market Services Charge and others combined**		ISO comments
	Market Services Generation dispatch energy • Real-Time Instructed Imbalance Energy (IIE) • Real-Time Uninstructed Imbalance Energy (UIE) At this time, SWP does not have additional comments to the options presented. However, SWP does request the CAISO to consider the inclusion of a table that correlates the billing determinate being proposed to the CAISO Settlement Charge Code being used. SWP believes that this will assist with the SC validation process for these proposed GMC chargers. SWP also awaits the publication by the CAISO of the bill impact studies for each SC under the proposed GMC rate design and reserve future comments upon review of the study results.	

1b. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **PIRP**		ISO comments
California Wind Energy Association (CalWEA), the Large-scale Solar Association (LSA), and the Vote Solar Initiative (VSI)	CalWEA, LSA and VSI appreciate the opportunity to comment on the CAISO's November 11th 2012 Grid Management Charge Straw Proposal ("Proposal"). Our comments, described in more detail below cover two main topics: • General comments on the proposed design, including both positive elements and potential concerns; and • Our concerns about the proposed bill-comparison portion of the process. **Positive elements of proposed design** There are many attractive features of the proposed rate structure, e.g., that it would: • Simplify the overall GMC structure considerably; • Recognize that the services provided by both supply and demand may start to converge, as demand becomes more price sensitive (with new meters and rate structures) and begins to participate in CAISO markets more; and • Remove the billing determinant based on deviations from forward schedules (Uninstructed Imbalance Energy (UIE)). This billing determinant was costly to intermittent resources before recent changes allowing netting of such deviations on a monthly basis for generators participating in, and scheduling	For PIRP resources, CC4535 - Instructed Energy MWh, is the primary driver of their total GMC costs. The current rate for CC4535 is $0.5946 per MWh which is higher than the combined market services and system operations proposed rate of $0.3736 per MWh. PIRP resources do not participate in the day ahead market. Similar to other resources which actively participate in the real time market, PIRP resources should see a reduction in their GMC costs. In addition, the ISO has posted the Data Release Phase 3 Issue Paper which proposes to eliminate the $0.10 per MWh forecasting fee if the forecast

1b. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **PIRP**		ISO comments
	per, the Participating Intermittent Resource Program (PIRP). Intermittent resources cannot control output variations from lack of "fuel" (wind or sun), and most Power-Purchase Agreements (PPAs) provide for maximum possible output under most circumstances regardless of any forward schedules. Thus, removal of deviations from forward schedules may obviate the need for the special PIRP treatment in the GMC rate structure. (However, neither this change nor other GMC changes would provide compensation for potential elimination of PIRP netting treatment of imbalance energy, a concern we have expressed in comments in other stakeholder processes.) • Remove the current 10 cents per MWh intermittent-resource forecasting fee**.** Though this change was not explicit in the Proposal, we understand from recent discussions that it is part of the new design. If so, that would: ➢ Partly offset any bill increases from billing all metered energy (which, as noted above, might increase generator bills, especially for those in the PIRP program); and ➢ Remove a feature of the current design that we have believed was inequitable. The CAISO has never had a rational policy for when it does or doesn't charge separately for certain services; for example, much more complex feature to accommodate different generation technologies, like the considerable software upgrades for Multi-Stage Generators (MSGs), have no associated extra charges, but intermittent-resource forecasting and Station Power services, which would appear to be far easier and cheaper to provide, have such charges. In the absence of such an overall policy, we favor elimination of this charge. **Potential concerns about the proposed design** We have two main concerns about the proposed design, from the information provided so far: • <u>Net impacts on intermittent resources:</u> While it appears that the proposed GMC rate applicable to real-time volumes would be lower than than that now applied to real-time deviations, the volumes it would apply to would be much more, particularly for PIRP participants. In other words, for most generators, it's likely that total real-time production would exceed both real-time UIE or (for PIRP participants) net monthly UIE. This means that bill comparisons are particularly important to our constituents, to determine the net impact of the proposed changes. That issue is addressed further below. • <u>Charges assessed to suppliers:</u> We want to echo SCE's concerns regarding allocation of GMC costs to suppliers; that concern was expressed with respect to System Operations charges but would also apply to any other GMC charges allocated to supply. SCE is concerned that generators would likely "simply incorporate that GMC rate into [their] bids, and raise the market price commensurately," and states that	data is made available to all market participants.

1b. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **PIRP**		ISO comments
	"the benefits of reliable System Operation are accruing to demand" anyway. Certain forms of PPAs provide for Buyer coverage of GMCs, so allocating those costs to Sellers would effectively allocate them to demand anyway. Moreover, any GMCs that are the responsibility of the Seller would indeed cause sellers to raise their asking prices to compensate, for both the expected cost level itself and also uncertainty about future changes (which would be difficult to predict over the 10-30 year life of most PPAs). The original, one-charge CAISO GMC allocated costs only to demand for those very reasons. The CAISO should consider whether it makes sense to return to a demand-only allocation, or an allocation that moves in that direction, in this redesign process. **Concerns about the bill-comparison process** As is typical in these kinds of GMC stakeholder processes, the CAISO is proposing to post bill comparisons, based on historic usage data, for the current and proposed GMC rate structures. These bill comparisons would be posted for each Scheduling Coordinator Identification Number (SCID); the identity of the SCs would be masked, and the SCs would be told which data were theirs. This process would not provide sufficient information for CalWEA/LSA/VSI to determine the impact of the proposed changes on intermittent resources – their main concern – because the posted data: • <u>Would only be based on historic data.</u> Many of our members do not yet have generating facilities on-line and would receive no information through this process; this is especially true for large solar plants, since virtually none of those under development have yet achieved commercial operation, and for intermittent resources planned for areas where none currently exist. • <u>Would not identify the generating technologies represented by the SCID</u>. Because of the way that PPAs are typically written, there is usually a separate SCID for each merchant plant, but there will be no way to identify which SCIDs represent intermittent resources. • <u>Would not break down the scheduling practices of any intermittent resources that are included</u>. For example, it will be very important, in assessing the impact of the proposed changes, to determine impacts for periods when intermittent resources scheduled per their PIRP plant-specific forecast (and thus qualified for monthly netting of imbalances) and when they didn't. We urge the CAISO to work with us to modify its plans for bill comparisons in this stakeholder process, to ensure that sufficient information is available for a meaningful impact assessment for our members.	

1c. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **CRRs**		ISO comments
SVP	If the CAISO goes forward with allocating a portion of GMC costs directly to CRR Holders, SVP supports the CAISO proposal to use allocated or auctioned CRR MW multiplied by the applicable hours as the billing determinant for apportioning most CRR related costs. Further, SVP requests that the CAISO clarify its CRR bid transaction fee proposal. The CAISO explains that this "fee will apply to the CRR nominations and the CRR allocations processes. The rate of $1.00 will be used for this fee." Straw Proposal at p. 10. It is not immediately clear to SVP whether the CAISO's proposal to allocate a dollar for every CRR auction bid applies to a single bid, or whether a CRR Entity could be charged more money if it submits multi-segment auction bids. SVP believes that the same charge should apply to single bids or multi-segment bids, based on cost causation principles (i.e., the cost to the CAISO of applying multi-segment bids is not likely to be a linear function of the number of bid segments).	The CRR bid fee is proposed to apply to an auction bid (no separate cost per bid segment) or nomination. Since a CRR nomination does not have segments, the ISO proposed a bid fee so that both nominations and auction bid would receive comparable treatment.
Mercuria Energy	We are opposed to the CRR billing determinants in the straw proposal paper. The reasons are as follows. 1. Regarding the proposed CRR bid fee of $1.00/bid. This fee in our opinion is too high compared to similar fees proposed for the convergence bidding process, which is $0.005/bid. We certainly understand the desire of the ISO to recover expenses incurred in processing the bids in CRR auctions, as well as in convergence bidding processes. However, since the ISO only processes the bids in one single CRR monthly auction, the amount of work load/expenses incurred should be in similar magnitude to that of convergence bidding. Certainly 200 times more ($1.00 vs. $0.005) seems excessive and inconsistent. 2. Regarding the proposed CRR charge of $0.0126/MWh, we believe the fee structure is not in line with the actual expense structure incurred in maintaining the CRR system. Namely, once a CRR bid is cleared, the amount of system maintenance cost to the ISO is neither a function of MW quantity nor number of hours of such contracts. A 1 MW path awarded takes up the same amount of resources to process/invoice as a 100 MW path. The number of hours the paths involved in should be irrelevant to the system maintenance cost by the same token. 3. Overall, the proposed structure is inconsistent with the cost recovery spirit of the initiative. This is especially true when we compare the proposed fee structure to the practices of other ISOs, in whose FTR/CRR markets we also participate. If adopted, it would force financial market participants like ourselves to re-align capital allocation among all the ISOs and risk significantly reduction in participation/liquidity in the CAISO CRR market. Therefore, we propose the following fee structure, 1. Adopt a lower CRR bid fee structure to truly reflect the amount of administrative work related to such activities, in line with that being proposed in convergence bidding, to $0.005/bid.	All ISOs have a separate GMC category for CRRs and take a similar approach. The proposed bid/nominate fee recognizes that there is a cost imposed on the ISO by market participants, regardless if they are successful or not. If the bid fee was lowered, the under-collection would have to be borne by market participants who successfully clear the market through a higher CRR MWh rate.

1c. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **CRRs**		ISO comments
	2. Adopt a CRR charge structure that is independent of both the MW quantity and number of hours of the related path. The exact amount can be determined by the ISO after consideration of the true cost involved in maintaining such paths.	
EMTRI	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. 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.	The ISO proposed a separate bucket for CRRs because it is a standalone market. There are many costs that are CRR specific and the ISO allocated some costs from shared market services items such as settlements. CRRs do require day ahead market results to calculate the CRR settlement, but CRRs are not considered in the clearing of the energy/ancillary services market. All ISO/RTOs that have CRR type products have separate market service and CRR charges.

1d. 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. – **Cost Allocations**		ISO comments
Dynegy	The CAISO's proposal to simplify its Grid Management Charge is intriguing. However, it is apparent that the	The causes of the difference in costs

1d. 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. – **Cost Allocations**	ISO comments
redesign will create winners and losers. Some market participants' GMC is going to go up, and some is going to go down. Individual market participants' bill impact statements will tell them how they are going to fare under the proposed new GMC as compared to under the existing GMC. While the chart on Page 16 of the CAISO's GMC Straw Proposal shows how much GMC cost is shifted from one class of market participants to another, that chart does not describe why the cost is being shifted. Dynegy asks that the CAISO qualitatively describe why the GMC costs go up for some market participants and go down for others under the proposed GMC structure. If the existing GMC structure is just and reasonable, it's not yet clear why the new GMC structure would necessarily be more just and reasonable. While the CAISO agreed that allocating the Market Usage – Forward Energy charge on a gross basis was the right thing to do, the CAISO ultimately allocated that charge on a "max of" basis to mitigate the impacts on certain market participants.1 It therefore seems reasonable that the CAISO should be open to discussing mitigating the impacts of its proposed new GMC structure on market participants. The principle of re-designing its GMC charges to focus on how parties use CAISO services rather than on encouraging market behavior seems to be a reasonable principle. However, it also seems a bit naïve to assume that CAISO market outcomes, in and of themselves, are going to encourage the kinds of behavior that the CAISO wants to encourage – or in the case of self-scheduling, discourage. CAISO market prices have been low, and price volatility seems to be as much a consequence of software performance as of market fundamentals. As a general matter, Dynegy is curious about the significant difference between the market services rate (nine cents per MWh) and the system operations rate (28.41 cents per MWh). It's not intuitive why there would such a marked difference in those rates. As Dynegy understands, these are the cost components of how the market services and system operations rates were determined. (amounts in thousands)	between market services and system operations are described in detail in the cost of service study and associated exhibits published October 7, 2010 and discussed in depth at the October 18, 2010 stakeholder meeting. Whether one rate structure would be "more (or less) just and reasonable" than the existing structure is not a relevant consideration. Rather, under Section 205 of the Federal Power Act, the proposed GMC must be just and reasonable, and the ISO believes that the proposal meets this criteria. The ISO's proposed GMC design changes are based on the principles and objectives described in the proposal papers. In summary, stakeholders have requested a new cost of service study, the ISO market has significantly changed, cost tracking using Activity Based Costing has been implemented and the ISO is seeking to simplify the GMC structure and provide stakeholders with greater transparency as to applicable GMC charges.

	Market Services	System Operations	CRRs	Indirect	Total
Direct Activities	$11,474	$45,923	$1,500	$5,928	$ 64,825
ABC Support Activities	-	-	-	64,850	64,850
Non-ABC Support	450	450	100	32,020	33,020
Total O& M	$11,924	$46,373	$1,600	$102,798	$162,695

Could the CAISO explain what fundamental – personnel, equipment, other – leads to three times as much direct cost for system operations as market services? It seems that it is this difference – more than any difference between the billing determinants for the two categories – that contributes to the different rates.

1d. 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. – **Cost Allocations**		ISO comments
	In any case, Dynegy looks forward to seeing the impacts of the proposed new GMC structure on its GMC, and to further explanation from the CAISO as to why the proposed new structure shifts costs among classes of market participants. Note 1 Amendment to Extend and Modify Grid Management Charge, submitted by the CAISO on October 30, 2009 in docket No. ER10-188, at 5 ("Although the ISO concluded that the gross option better reflected cost causation principles, it was concerned that applying the charge to "gross" energy schedules would result in substantial cost impacts to certain market participants.")	

1e. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **SCID charge**		ISO comments
WAPA	The CAISO is proposing to assess the $1000 GMC monthly charge to the SCs that have no market activity during the trade month. This charge (charge code 4575) is designed to recover the CAISO's costs associated with Settlements, Metering, and Client Relations. However, The CAISO's new proposal is contrary to cost causation principles. When a SC ID is inactive during the trade month, the SC does not have any settlement statements, does not submit meter data and does not require client relations support for that trade month. Therefore, Western recommends that the CAISO scrap that portion from its 2011 proposal.	After further review of the ISO's initial proposal and stakeholder comments, the ISO proposes that the current treatment of the SCID fee remain unchanged.
MID	For purposes of these comments, MID has two concerns it would like to raise. The first concern is the proposed administrative fee on all active Scheduling Coordinator IDs (SCIDs). The CAISO straw proposal states that "rather than applying the rate only to SCIDs with a positive or negative settlement, we propose to apply it to all active SCIDs." *See* Straw Proposal at 11. In MID's opinion, an SCID is not "active" unless its use causes charges or credits within the CAISO's systems. The CAISO should differentiate between "registered" SCIDs and "active" SCIDs in its straw proposal. MID concluded from the November 18, 2010 call/webcast that if an entity has registered two SCIDs, both SCIDs will each be charged the SCID fee, even if one does not have positive or negative settlement activity. Accordingly, an entity holding two SCIDs will be charged $2,000 per month for purposes of this administrative fee. While MID appreciates the CAISO's proposal to maintain the SCID charge at $1,000 per SCID per month, MID disagrees with the CAISO's proposal to expand the assessment of the charge to SCIDs that may not have positive or negative settlements. As noted in its October 21, 2010 joint comments with the City of Santa Clara, California dba Silicon Valley Power (SVP), MID believes that there is no cost justification for a charge on such SCIDs. Compounding this issue is the proposal to charge such SCIDs a minimum of 36 months of charges. Accordingly, an SCID, even if it had no settlement	After further review of the ISO's initial proposal and stakeholder comments, the ISO proposes that the current treatment of the SCID fee remain unchanged.

1e. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **SCID charge**		ISO comments
	activity, would be assessed the minimum charge of $36,000 LST UPDT: 10/7/10 - Final Page 2 ISO/Created by FINANCE over time. Any costs attributed to that SCID should be captured in an initial registration charge. Thereafter, MID cannot see where costs would be caused simply by having the SCID registered in the CAISO's systems. If the CAISO does follow through with these fees, MID proposes that SCs have the opportunity to retire, or "unregister" SCIDs they do not contemplate using before the effectiveness of the proposed CAISO SCID fees, such that they will not have to pay the proposed minimum $36,000 on those unused, or "inactive" SCIDs. MID understands that the proposed SCID fee is not derived from particular costs referenced in the cost-of-service study, and so is not linked to particular costs that need to be recovered. In addition, MID notes that the CAISO's treatment of the SCID fee contrasts with the CAISO's proposed treatment of Congestion Revenue Rights (CRRs). Specifically, an entity that is a CRR-Registered Entity, but does not acquire CRRs via allocation or auction, would not be charged the $1.00 bid transaction fee.	

1f. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **TORs**		ISO comments
SDG&E	The following comments apply to SDG&E as a Participating Transmission Owner (PTO) as they relate to the CAISO's 2012 Grid Management Charge Straw Proposal applicable to energy flows on the 500kV Southwest Power Link (SWPL) ownership share of Arizona Public Service (APS) and the Imperial Irrigation District (IID). **<u>Background</u>** 1. SDG&E owns a portion of the transmission capacity in SWPL and has turned over "only" this capacity portion to the CAISO via its Transmission Control Agreement (TCA). 2. APS and IID own part interest in the SWPL. Their ownership shares are not part of the CAISO Grid as these utilities have not transferred operational control of these facilities to the CAISO. 3. The load served by APS and IID by means of SWPL lies in their own Balancing Authority (BA). 4. Under SDG&E's SWPL Participation Agreement with APS and IID, which was signed years prior to the creation of the CAISO, SDG&E serves as the "Scheduling Agent" for APS's and IID's ownership rights on SWPL. This requires SDG&E to give effect to APS and IID schedules on SWPL. With the advent of the CAISO, this requires SDG&E to submit the APS and IID schedules on their respective SWPL ownership rights to the CAISO. 5. For such APS and IID SWPL schedules submitted to the CAISO by SDG&, the CAISO proposes to charge SDG&E GMC as shown in the ABC Level 2 Activities Straw Proposal.	The treatment of TORs will be addressed after the initial proposal and impacts are reviewed.

1f. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **TORs**		ISO comments
	<u>SDG&E's Position on the CAISO's 2012 Proposal to Apply GMC to APS and IID TOR</u> In the Guiding Principles of Cost Causation, the CAISO discusses the goal to properly allocate "caused costs" to specific categories and charged those who use or benefit. To the extent GMC is the cost to operate the CAISO in order to operate PTO assets put under the CAISO operational control via TCA's, including the balancing of Load and Resources, TOR schedules should not be charged GMC, as TOR's are not part of the CAISO. For SDG&E, as the Scheduling Agent for APS and IID TOR SWPL energy schedules, these schedules use APS and IID's SWPL Ownership. In particular, when reviewing the "Cost of Service Study Discussion Paper - Exhibit 1 ISO Business Process Framework Overview.xls", the CAISO provides a high level overview of the various Business Processes. As an example, for the process "Develop Markets (80002)", the CAISO says that these are the purpose of the process "Develop Markets": 1-Designs and implements value-added enhancements to the wholesale market design, 2-Improves the ISO's abilities to review and analyze the efficiency and quality of market results, and 3-Creates a framework that will accommodate demand response participation in the ISO market". Then, in reviewing the CAISO's "Cost of Service Study Discussion Paper - Exhibit 2 Mapping Customers to Operating Activities.xls", Existing TOR's, such as the SWPL TOR, are assigned to the following ABC Level 2 Activities: 1-BPM change management process, 2-Develop State / Federal regulatory policy, 3-Manage regulatory filings, and 4-Manage tariff amendments, and Market design & regulatory policy. It's not clear why the SWPL TOR causes costs for these level 2 activities. The same holds for many of the other ABC Level 2 Activities by Process. SDG&E looks forward to working with the CAISO on evaluating ABC Level 2 Activities by Process to determine what, if any, ABC Level 2 Activities apply to TOR energy schedules.	
MID	The Modesto Irrigation District (MID) thanks the CAISO for the opportunity to comment on the CAISO's proposed revised rate design. For purposes of these comments, MID has two concerns it would like to raise. Second, MID believes that there is reason to retain the reflection of the lower, relative costs of Transmission Ownership Rights (TORs) in the GMC. The CAISO's straw proposal states that, "The market services and grid operations charges presented in this paper applies to Transmission Ownership Rights (TORs). The ISO acknowledges that the allocation of administrative fees to TORs is an issue for further discussion and will be addressed during the stakeholder process to finalize the GMC design." *Straw Proposal* at 8. One of the guiding principles of the GMC rate design is cost causation. *See Presentation*, slide 5. The CAISO acknowledges that TORs create lower costs for the CAISO, including under MRTU: "As explained in the accompanying testimony of Mr. Ben Arikawa, the cost of providing reliability services to flows on TORs is lower than the cost of services provided to flows on facilities that comprise the CAISO Controlled Grid. This results in a reduction in the application of CRS ["Core Reliability Services"] costs to be applied to flows on TORs." CAISO GMC Filing, Docket No. ER08-585, Transmittal at 4 (Feb. 20, 2008). Mr. Arikawa explained that:	The treatment of TORs will be addressed after the initial proposal and impacts are reviewed.

1f. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **TORs**		ISO comments
	The one change in the Core Reliability Services is in the assessment of the CRS-Energy Exports charge on TOR exports. As I just explained, the CAISO reviewed the cost of service associated with TOR holders and determined that the CRS cost of service with respect to TOR exports is less than that for exports from the CAISO Controlled Grid. While the CAISO provides to the CAISO Controlled Grid the services of monitoring of transmission flows and emergency support, outage management and scheduling, transmission planning, Operations Engineering, Operations Support, determination of resource adequacy, dispatch of energy associated with Ancillary Services and load and resource balancing, the CAISO routinely provides only monitoring of transmission flows and emergency support, outage management and scheduling to flows on TORs. Because the level of Grid Reliability Services that the CAISO provides to these customers is lower than that for flows on the CAISO Controlled Grid, a separate service category with a reduced fee is appropriate. Accordingly, the CRS charge assessed to TOR exports will be less than that assessed to other exports. Note 1 - Arikawa Testimony, Exh. ISO-1 at 13 (ER08-585). Acknowledgement of TORs also was reflected as to Energy Transmission Services (ETS), such that the CAISO created a separate category, CRS/ETS-TOR, charged on MWhs usage of TORs at a separate rate. MID believes that continued acknowledgment of the relative costs of managing TORs should be reflected in the CAISO's proposed rate design. It would seem that a separate volumetric charge could be applied to MWh transacted over TORs to reflect the CAISO's lower costs of managing TORs. While MID can understand why the CAISO would want to reduce the number of GMC charges, granularity was another important principle that came out of the 2001 GMC litigation and stakeholder process that followed. *See California Independent System Operator Corp.*, 99 FERC ¶ 63,020 (2002) (Initial Decision of Judge McCartney).2 The relative burden of TORs on the CAISO system is one of those instances where greater granularity is a helpful principle to apply. *See* Arikawa Testimony, Exh. ISO-1 at 15 (ER08-585) ("A third change, consistent with the proposed change in the CRS-Energy Export charge, reflects the fact that the ETS cost of service with respect to TOR exports is lower than that for Metered Control Area Load in the CAISO Controlled Grid. Therefore, the ETS-Net Energy charge assessed to TOR exports will be adjusted relative to the ETS-Net Energy charge on other Metered Control Area Load."). Note 2 - Stating that the CAISO reaffirms that "unbundling the GMC is a work in progress; [that] the ISO remains committed to working with stakeholders to refine it, Exh. ISO-21 at 62:17-22," *Id.* At 65,084. Further, the FERC ALJ stated: *Nevertheless, I agree with the parties that serious consideration of further unbundling of the CAS is*	

1f. Please comment on the billing determinants listed in the straw proposal paper, and suggest any others you believe should be considered.- **TORs**		ISO comments
	appropriate. Throughout these proceedings, the ISO has repeatedly affirmed its position that it is not opposed to consideration of other ways to recover CAS costs. ISO I.B. at 48-49; ISO-34 at 4-5, 10-11 (Le Vine); Tr. 1538 (Le Vine). In this regard, I am directing that a full stakeholder review of the GMC be conducted in 2003 for [sic] this purpose; including, specifically, full stakeholder review of Dr. Kirsch's proposal and the suggestions made by the CPUC and EOB that the ISO should move from a pure energy-based (i.e., per kWh) charge for CAS to a mix of demand and energy-based charges. *Id.* at 65,086. Also, Judge McCartney urged review of the entire GMC, not just CAS: "as urged by DWR, the entire GMC should be examined in totality in a full stakeholder review process in 2003" *Id.* at 65,096. The stakeholder process directed by the FERC ALJ did occur, resulting in the GMC filed to take effect Jan. 1, 2004.	