J.P. Morgan Comments
Subject: CAISO GMC Charge Code 4537 – Market Usage Forward Energy Draft Final Proposal

Submitted by (Name and phone number)	Company or Entity	Date Submitted
Steve Greenleaf (916) 802-5420	J.P. Morgan Ventures Energy Corporation and BE CA, LLC. (together, JP Morgan)	October 12, 2009

J. P. Morgan appreciates this opportunity to provide comments on the CAISO's GMC Charge Code 4537 Market Usage Forward Energy (MUFE) Draft Final Proposal, dated October 2, 2009. J.P. Morgan appreciates the CAISO moving ahead and quickly addressing stakeholder concerns regarding the application of the CAISO's GMC MUFE to Inter-Scheduling Coordinator Trades (ISTs) and its broader efforts to appropriately reform the MUFE charge.

1. *Do you support the ISO's final proposal to change the market usage forward energy charge calculation to*:

    Max [abs(Generation+Imports),abs(Load+Exports)]

First, as stated in its previous comments, J.P. Morgan supports the CAISO's proposal to eliminate ISTs from the MUFE calculation and application of the MUFE to ISTs. The costs of supporting the CAISO's IST functionality is already appropriately included in the Forward Scheduling Charge for ISTs. Moreover, ISTs do not directly give rise the costs collected under the GMC MUFE. Therefore, J.P. Morgan supports the CAISO's proposal to remove ISTs from the calculation of the MUFE.

Second, on a long-term basis, J.P. Morgan supports development of a MUFE rate based on the gross amount of physical energy in the CAISO market. Gross energy is a better measure than net energy of an entity's participation in the CAISO's markets and thus is more aligned with cost-causation principles. A netting-based methodology results in an inappropriate and unfair cost shift to those entities without both load and generation in their portfolio. Under a netting approach, an entity with 100MW of generation would pay more than an entity with 100MW of generation and load. Clearly, the entity with the balanced portfolio is a significant participant in the market yet under a netting approach would incur no MUFE charges. That result makes no sense.

Notwithstanding J.P. Morgan's support for a long-term rate methodology based on gross billings in the market, J.P. Morgan is prepared to support application of the CAISO's proposed "Max of" methodology on an interim basis. The "Max of" methodology is a reasonable *interim* rate methodology until such time as the overall GMC rate structure is revisited.

J.P. Morgan understands that the CAISO intends to implement a comprehensive reexamination of the GMC rate structure in 2010/2011 for implementation in 2012. J.P. Morgan is concerned with the long period (two years) the "interim" rate will be in place. J.P. Morgan requests that the CAISO clearly commit to replacing the interim MUFE charge with a long-term solution based on a "gross billings" methodology, to be effective as soon as possible. In addition, J.P. Morgan requests that the CAISO reconsider its intent to wait two years before implementing a redesign of the GMC. J.P. Morgan notes that important market design changes (e.g., convergence bidding) are planned to be implemented within the next year and urges the CAISO to consider: 1) implementing near-term changes to the GMC structure, including a revised MUFE charge based on a "gross methodology"; or 2) initiating the larger GMC redesign effort earlier, for implementation in January 2011.

J.P. Morgan appreciates the CAISO's timely attention to this matter.