

**2011 - 2012 GMC Stakeholder Process**  
**ISO Folsom Facility, Building 101A**  
**April 21, 2010**  
**10:00 a.m. – 4:00 p.m.**  
***Draft Meeting Notes***

**Attendees:**

<b>Name</b>	<b>Organization</b>		<b>Name</b>	<b>Organization</b>
Sean Neal	MID		Jan Cogdill	CAISO
David Cohen	TANC		Judith Sanders	CAISO
Lisa Yoho	Citigroup Energy		Charles Snay	CAISO
Kolby Kettler	Citigroup Energy		Ryan Seghesio	CAISO
Burt Hansen	SCE		Christina Ernandes	CAISO
Steve Greenleaf	JP Morgan		Tom Cuccia	CAISO
Brian Theaker	Dynegy		Don Tretheway	CAISO
			Dennis Estrada	CAISO
			Michael Epstein	CAISO
			Chhanna Prak	CAISO
			Stephanie O'Guinn	CAISO
<u>Via Telephone</u>			<u>Via Telephone</u>	
Robert Bonner	ConocoPhillips		Lisa McGee	Mirant
Bob Caracristi	NCPA		Jim Mclellan	Morgan Stanley
Jon Chadbourne	Arclight Energy		Margaret Miller	CAISO
Jackie DeRosa	Customized Energy		Zahra Nazarali	TransAlta
Caroline Emmert	ACES Power Marketing		Sharon Oleksak	Portland General Electric
Saeed Farrokhpay	FEC		John Perry	TID
Thomas Flynn	SCE		Leslie Pompel	BPA
Carl Funke	SDG&E		Uma Ramanathan	CAISO
Steven Greenlee	CAISO		Abigail Seto	PG&E
Steve Hess	Edison Mission		Masoud Shafa	WAPA

Gifford Jung	Powerex		Tony Stapleton	COP
Natalie Karas	Duncan Weinberg		Virginia Thompson	EDF Trading
Jessica Kastarian	SMUD		Melie Vincent	APX
Maury Kruth	FERC		Michelle Volk	BPA
Nancy Le	City of Anaheim		Ellen Wolfe	Resero Consulting
Sue Mara	RTO Advisors		Kathleen Wright	CDWR
Rajani Mardella	CAISO		Ali Yadzi	Morgan Stanley

*Questions or comments about the GMC should be directed to: [GMC@caiso.com](mailto:GMC@caiso.com)*

Michael Epstein, Director of Financial Planning, opened the meeting with a brief introduction of the purpose of the meeting and a perspective of the Grid Management Charge (GMC) rate structure.

Following Mr. Epstein were:

Charles Snay, Lead Financial Analyst & Donald Tretheway, Sr Market and Product Developer

Stakeholders were given an opportunity to ask questions and provide comments and suggestions. Questions and comments received during the workshop are summarized in the following tables.

## Opening Remarks

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Will there be any budget data for 2011 during the August GMC Stakeholder meeting or will we have to wait until October?	TANC	M. Epstein	If the data is available, we will provide that to you. Preliminary data will be provided at the August meeting.
2	Will the CAISO be holding a firm line on the Revenue Requirement cap?	TANC	M. Epstein	We anticipate holding the same dollar amount for a straight forward rate extension.
3	Will the rates and cost allocates be included in the Convergence Bidding tariff filing or the GMC filing in September?	Dynegy	M. Epstein	The rates will be in the budget and the structure will be in the tariff filing.
4.	How can the CAISO complete the FERC filing in November if there won't be board approval until December?	TANC	M. Epstein	These are two separate processes. We will file on November 1 <sup>st</sup> and then we will go to the board in December for approval of the rates and the budget.
5.	Will the FERC filing on November 1 <sup>st</sup> have the rate structure and the rate for 2011?	TANC	M. Epstein	No. This will have the revenue cap and the structure. It will also have the determinants, but no dollars. Once the budget is approved, then we can allocate dollars for each of the components.
6.	Will the structure of the Convergence Bidding billing determinants be in the GMC filings?	MID	C. Snay	We will present how the GMC structure works for Convergence Bidding and where the dollars are coming from.
7.	What is the contingency plan consider the worst case scenario in that the CAISO exceeds the \$197 million cap?	TANC	M. Epstein	We will not exceed the cap. If so, a 205 filing is the only other option.

## Cost of Service Study Review

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	It has been a few years since there has been a full 23-13 filing and statements by FERC. In this type of filing, will you provide the Revenue Requirement for the forecasted test year? If you are going to be thinking about making a filing in June 2011, are you committing yourself to a formula change and rate redesign during that period?	TANC	J. Sanders	These are issues we have yet to explore. We will take these comments under review.
2	We are interested in the 2012 test year analysis for the cost of service. We would like to look back, analyze and provide input as to how the process is working and how we envision this to be.	MID	M. Epstein	We appreciate this comment and want to address any concerns you may have.

## 2001-2003 GMC Refund

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1.	What do you mean by elimination of dynamic scheduling?	MID	M. Epstein	Billing for 2001 and serving for load. Part of the FERC order was to eliminate that.
2.	In regards to billing to SC's and invoicing for credits: were the credits broken up by bucket?	MID	M. Epstein	To the best of our knowledge, it was broken up by charge type. MID has received all of this data to validate.

## April 2010 Rate Adjustment

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1.	Will volumes come back after MUFE?	Dynegy	C. Snay	Probably, but it may take several months for the increase.
2.	What caused the 36.3% reductions in exports?	TANC	C. Snay	There is no real evidence as to what caused this decrease, but the costs are increasing so much that we may continue to see a decline.
3.	Is the \$1.82/MW rate assuming that you are going to see a further decrease in exports?	TANC	C. Snay	No. It's calculated based on the Revenue Requirement and the revised revenue adjusted forecast. This is the rate considering that everything stays the same from April onward.
4	Why does the CAISO feel the need to make a first quarter rate adjustment?	TANC	C. Snay	Before Payment Acceleration, we did not have the visibility. We had to wait until June for data. Now we can have a better vision of the data and this is the first time we have made a first quarter rate adjustment.

## Status of Market Usage Forward Energy Charge

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1.	Can you please tell us what the settlement MUFE rate is?	TANC	J. Sanders	The rate would be based on the same volume; close to \$0.06/Mw.
2.	Is there a potential for a true-up or rate adjustment?	TANC	J. Sanders  C. Snay	Only if FERC does not approve the charge before June 1 <sup>st</sup> .  The rate will be different then it is now.

## Convergence Bidding Overview

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Do other ISO's also do a revenue credit in the following year?	TANC	D. Tretheway	The revenue credit is very similar to what other ISO's do today.
2	What have other ISO's rate designs looked like?	MID	D. Tretheway	All are of a per cleared MW basis; MISO, PJM ISO NE all follow this. After benchmarking, our rates are very similar to other ISO's.
3	Nodal bids?	SCE	D. Tretheway	There will be 10 bid segments. If you put a full bid in, the charge will be \$0.05 per bid segment.
4.	How did you derive the 9%?	TANC	D. Tretheway	Assume you have 100% of the costs for physical. Once you increment, the virtuals will be 10% more. Then what we need to do to recover would be 10%/110%.
5.	Why not just allocate 10% if the above is the assumption?	TANC	D. Tretheway	We are looking at a way to develop a forecasted rate as to how we would be calculating this going forward. What percentage is virtual and what percentage is physical. We could agree that we should do 10%, but based upon the other ISO's establishing the rate first, this is a straightforward methodology
6.	If the costs of Convergence Bidding are now going to be recovered in a unique way, is this going to be part of the cost of service discussion in 2011?	Dynegy	C. Snay	Yes, that is correct.

7.	Does the bid segment recover the 9%	MID	D. Tretheway	Not in the current year. In the following year we would credit from the previous year. The primary reason for per bid segment charge is to discourage Market Participants from fishing bids on all nodes.
8.	Is this a one-time thing in 2012?	SCE	C. Snay	In 2012 we will have to see how the cost of service study goes. We may make some small modifications. Some kind of charge will be in place.
9.	The \$0.08 charge reminds us of the MUFE charge. Why are we looking at a gross MW cleared but at MUFE we are looking at the greater of?	Citigroup Energy	C. Snay	An existing structure is in place for netting. This is a transition to prevent major cost shifts to a few market participants. We will pursue a gross charge for Convergence Bidding.
10.	Are all of the software costs for Convergence Bidding in the revenue requirement?	TANC	J. Cogdill	They are in the 2010 rate and are coming through bond funds.

### GMC Revenue Requirement

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	For Convergence Bidding, is the CAISO contemplating a whitepaper describing all of the costs?	MID	M. Epstein	No. The costs are presented on the slide.
2	Could stakeholders request billing impact analysis for Convergence Bidding and how it will apply to them in 2011?	MID	C. Snay	We do not have data for Convergence Bidding yet.
4.	Will the half cent charge be credited in the following year but not the gross clearing charge?	TANC	M. Epstein	The clearing charge is just a recovery of costs.
5.	Since it is collected based on a specific charge code, will the tariff state which bucket the credit will apply to?	TANC	D. Tretheway	This is already in the tariff.

## 2012 Cost of Service Study

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Is the ISO willing to have a subset of internal meeting for stakeholders to participate in?	TANC	M. Epstein	Our initial thoughts were to develop an internal proposal for June 18 <sup>th</sup> and have further discussion later on. We will have a white paper in the August timeframe but are open to taking your suggestion under review.
2	Is the ISO planning on using the Excel model?	TANC	M. Epstein	We are planning on using the model with some updates.
3	Is the internal team thinking about the new cost allocations? Have you been in contact with other ISO to see their approaches and strategies?	TANC	C. Snay	We have not done this, but we will look into it. We first want to determine what the definitions are and then we will look to the allocations after that. Also, the internal team is looking at a lot of other options such as Activity Based Costing (ABC).
4.	Can you please explain the SMCR allocation based on the settlement charge?	SCE	M. Epstein	The SMCR has been allocated to different buckets and then based on that. This is the existing structure and is not anything new. Things will be changing in 2014 since all of the bonds will be paid off; costs will go away and the debt service will be paid off.
5.	Looking at other ISO's, I think that the update to the whitepaper should be focused on what their customer charge (GMC) would be.	TANC	C. Snay	We will be looking at this.
6.	Is this the case that there is a time recording system? Has this been implemented?	SCE	C. Snay	We now have ABC. We currently have 10 cost codes at a high level.



### Additional Comments

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Can you please elaborate on what the long term proposal is for the revenue ceiling?	TANC	M. Epstein	We do not have a long term forecast at this point in time. This is somewhere above the \$200 million mark, but we do not have an exact amount.
2	To what extent do you want to discuss a longer term revenue cap? I guess we would need to have some type of multi-year, big picture dollars for staffing to evaluate this?	TANC	M. Epstein	We will give you numbers to see where we are coming from. At the end of the process we will want to talk about the longer term visions and new mapping.
3	It appears that in developing the billing determinants that you have not taken price elasticity into consideration. Now that you have ten years of data, do you think you should be more sophisticated?	TANC	M. Epstein	If we subtract the ten years of old market data, we will only have one year of new market data by the middle of 2011 and we will only have eighteen months of data for 2012