

Stakeholder Comments Template

Subject: CAISO's 2012 GMC Draft Tariff Language

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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The Modesto Irrigation District ("MID") and the City of Santa Clara, California, doing business as Silicon Valley Power ("SVP") thank the California Independent System Operator Corporation ("CAISO") for the opportunity to submit comments concerning the CAISO's 2012 Grid Management Charge ("GMC") draft Tariff language, posted June 2, 2011. MID/SVP have reviewed the draft Tariff language, and supply the following comments and questions.

1) Proposed Section 11.12.2 adds the following items as recovered through the GMC, which are also new, defined terms. These terms were not discussed in the stakeholder meetings: CAISO Operating Reserve Credit and Capital Out of Pocket Capital and Project Costs. These terms are used throughout the proposed Tariff revisions. See, e.g., Section 11.22.2.6 and App. F, Sched, 1, Part C. In addition, the CAISO proposes to delete the following definitions: CAISO Operating And Capital Reserves Account and CAISO Operating And Capital Reserves Costs. It is unclear why these additions have been made. They appear to (1) make the operating reserve accounts more expressly part of the GMC calculation, and (2) provide for fewer restrictions on the capital expenditures that may be included in the GMC. MID/SVP request that the CAISO explain the reasons for these proposed changes.

2) With regard to Transmission Ownership Right ("TOR") Charges, the terms "supply," "demand," and "settlement interval", although terms defined in the CAISO Tariff, are not capitalized in the following Tariff language in proposed Section 11.22.4: "The TOR Charge will be \$0.27/MWh, assessed on the minimum of a Scheduling Coordinator's TOR supply or TOR demand per settlement interval." MID/SVP ask the CAISO to clarify if its intention was not to use the defined terms in the Tariff, and if so, why. If the CAISO had intended to use the defined terms, MID/SVP request that the terms "supply," "demand," and "settlement interval" be capitalized in this section.

3) With regard to the grandfathering provisions from the System Operations Charge described in App. F, Sched. 1, Part E, MID/SVP note what appear to be two inadvertent

errors. First, the CAISO uses the term “System Operation Charge” in this section, rather than “System Operations Charge”, which is the defined term. Second, in Part E 1(c), the term “generator unit” should be replaced with the defined term, “Generating Unit.” MID/SVP request that the CAISO make these corrections.

4) MID/SVP request that the CAISO clarify that the revenue requirement allocation set forth in Section 11.22.2.6 (27% to Market Services, 69% to System Operations and 4% to CRR Services) was derived from the CAISO cost of service study as applied to the 2010 revenue requirement (see page 94 of the pdf copy at <http://www.caiso.com/2828/2828e6ab21540.pdf>). MID/SVP request the CAISO to explain what material it is intending to include in its filing to explain the percentage splits.

5) With regard to the Quarterly Adjustment mechanism, the draft Tariff language notes that the component rate will be adjusted automatically:

if the estimated revenue collections for that component, including revenue collected from the Bid Segment Transaction Fee, the CRR Transaction Fee, the Inter-Scheduling Coordinator Trade Transaction Fee, and the Scheduling Coordinator ID Charge, on an annual basis, change by more than five (5) percent ~~(5%)~~ or \$1 million, whichever is greater, during the year.

See App. F, Sched. 1, Part B. One would assume that the trigger for the adjustment would be measured as each fee is applied to its respective component. For example, the CAISO would compare quantities after the Bid Segment Transaction Fee is credited against the Market Services Charge, as opposed to comparing collections of the Bid Segment Transaction Fee itself from time period to time period. However, the proposed language is unclear on this point. A better formulation would be:

if the estimated revenue collections for that component, after accounting for credits for the revenue collected from the Bid Segment Transaction Fee, the CRR Transaction Fee, the Inter-Scheduling Coordinator Trade Transaction Fee, and the Scheduling Coordinator ID Charge, on an annual basis, change by more than five (5) percent ~~(5%)~~ or \$1 million, whichever is greater, during the year.

While a logical reading only should conclude that the Market Services Charge, the System Operations Charge and the CRR Services Charge are subject to quarterly adjustments, this language change would help avoid any confusion.