Template for comments

Please use the template below to submit comments to the CAISO. Comments are due by close of business Monday, November 29, 2010 to gmc@caiso.com.

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

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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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. 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.

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. 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 activity, would be assessed the minimum charge of $36,000 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.

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 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.

Arikawa Testimony, Exh. ISO-1 at 13 (ER08-585). Acknowledgement of TORs also was reflected as to Energy Transmission Services (ETS),[1] 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.

2. <u>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.</u>

MID's comments are addressed under question 1.

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[1] *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.").

[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 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 (LeVine); Tr. 1538 (LeVine). In this regard, I am directing that a full stakeholder review of the GMC be conducted in 2003 fo [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.