Stakeholder Comments Template
Subject: GMC Charge Code 4537 – Market Usage Forward Energy Straw Proposal

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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CAISO seeks written stakeholder comments on its GMC Charge Code 4537 – Market Usage Forward Energy Straw Proposal, which was posted on August 28, 2009 at http://www.caiso.com/23f1/23f1eeab40a20.html

Stakeholders should use this Template to submit written comments. Written comments should be submitted no later than Close of Business on Friday, September 4, 2009 to: csnay@caiso.com. Comments will be posted on the CAISO website.

The CAISO seeks stakeholder input on the following:

1. Do you support the ISO's straw proposal to eliminate ISTs from the MUFE calculation? Please explain why.

   No, please see response to question number two.

2. If you do not support removing ISTs from the MUFE calculation, what alternative do you propose? Please explain why your alternative is preferable to the ISO's straw proposal.

   NCPA supports the current design of charge code 4537 which is based on netting but appropriately accounts for the use of Inter-SC Trades (IST) within a Scheduling Coordinator's portfolio. FERC has determined that the current methodology, where ISTs are included within the calculation of netting of a Scheduling Coordinator's portfolio, is just and reasonable and CAISO has provided no substantive justification for why the current methodology is not just and reasonable. The adopted methodology provides identical benefits to those identified by CAISO for proposed Option 1; the current methodology is consistent with FERC order and requires no change to CAISO settlement systems.

   The accounting of netting within a Scheduling Coordinator's portfolio is a measurement of its net usage of the CAISO market. NCPA and other market participants have entered into long term contracts for delivery of power using ISTs, and discounting of such contracts would result in a negative impact to NCPA and those market participants who have prudently contracted forward to serve customer demand. As CAISO explains in its straw proposal well-settled rate design principles, including bill impacts, should be considered and taken into account when rate changes are being considered. Therefore, the existing just and reasonable rate structure used to allocate charge code 4537 appropriately reflects this balance through the inclusion of IST transactions.

3. Do you support the ISO's straw proposal to continue netting physical energy in the MUFE calculation? Please explain why.

   Please see response to question number two.

4. If you do not support the netting option, what alternative do you propose? Please explain why your alternative is preferable to the ISO's straw proposal.

   NCPA has described an alternative option in past filings that will provide the same benefits suggested by CAISO which are attributed to its recommendation to adopt Option 1, and that would also resolve concerns expressed by market participants regarding counting of ISTs in charge code 4537. NCPA will restate such alternative here. The current CAISO Tariff states that counting of supply and demand in charge code 4537 will be offset by MWh of net Energy associated with ISTs of Energy in the DAM. If the CAISO treated the counting of ISTs as a true offset rather than an absolute value in the calculation of charge code 4537, market participants who use ISTs to serve demand or offset supply in their portfolio will continue to receive the benefit of such resources being counted in the calculation of charge code 4537, but those market participants who contain MWh of ISTs in their portfolio that are not balanced against a demand or supply schedule will not be assessed a charge for those ISTs that do not provide a direct offset to demand or supply.

   Using an example, if a Scheduling Coordinator has net DA market energy purchases of 100 MW and a Inter-SC Trade of energy transferring 150 MW of energy out of its portfolio, application of this alternative offset methodology would result in the 100 MW of Market Usage Forward Energy charge exposure being fully offset by the 150 MW of IST, but would not result in the absolute charge of 50 MW of Market Usage Forward Energy for the surplus amount of IST.