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Comments of Northern California Power Agency CAISO Straw Proposal – 2012 Grid Management Charge

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Northern California Power Agency ("NCPA") provides the following comments in response to the CAISO's 2012 Grid Management Charge Straw Proposal.

NCPA takes no position at this stage of the stakeholder process regarding the overall proposal to restructure the Grid Management Charge ("GMC") buckets, but rather focuses its comments on a specific detail of the CAISO proposal. In its straw proposal CAISO provides a list of billing determinates that will be used for billing each of the three proposed GMC buckets. The CAISO states that the Market Services charge code is designed to recover costs the CAISO incurs for running the markets. As such, the CAISO proposes this charge code will be applied to each Scheduling Coordinator's gross absolute value of awarded MWh of energy and MW per hour of ancillary services in the forward and real time market. The CAISO also describes each billing determinate that will be used to calculate the Market Services GMC charge.

Of the billing determinates listed by the CAISO NCPA believes that the billing determinate described as MSS Load Following should not be included and removed from the list of billing determinates used in the Market Services GMC charge code. As described in Section 34.12 (Metered Subsystems) of the CAISO Tariff, Load Following MSS Operators are required to submit an estimate of the number of MWs an applicable generating resource(s) will be generating over the next two hours in five-minute interval resolution to perform load following. The estimated number of MWs the MSS Operator may use to perform load following is submitted by the Scheduling Coordinator of the MSS Operator to the CAISO. This information is then processed by the CAISO and echoed back to the MSS Operator as a Load Following instruction. The MW amount submitted by the MSS Operator is always equal to the instruction provided by the CAISO. CAISO uses this information to supplement its dispatch in real-time. The estimate submitted to the CAISO by the MSS Operator, and the resulting Load Following instruction is different in nature than the other billing determinates listed. A Load Following instruction is not issued by the CAISO in response to a traditional market offer. This information is not provided to the CAISO as a Bid or Self-

Schedule with the intent of being awarded energy or ancillary services, but rather is used as a mechanism to communicate and share information with the CAISO that is used to supplement CAISO's dispatch. NCPA does not require or have a need to receive Load Following instructions from CAISO to perform follow load. This is recognized in Section 34.12 of the CAISO Tariff, which states MSS Load following resources can deviate from the Dispatch Instructions in Real-Time to facilitate the following of Load.

It is already recognized in the CAISO Tariff that Load Following instructions are not assessed GMC charges. Section 11.22.2.5.7 (Market Usage Charge) of the CAISO Tariff states the following:

The Market Usage Charge for each Scheduling Coordinator is calculated according to the formula in Appendix F, Schedule 1, Part A, subject to the requirements set out in Appendix F, Schedule 1, Part F. **{For a Scheduling Coordinator for a Load following MSS, Instructed Imbalance Energy associated with Load following instructions will not be assessed the Market Usage Charge for Instructed Imbalance Energy and will be netted with Uninstructed Imbalance Energy for determining the Market Usage Charge for net Uninstructed Imbalance Energy.}**