

2012 GMC Cost of Service Study

Discussion Paper Comments

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1. Please comment on the design principles listed in the discussion paper, and suggest any others you believe should be considered.

PG&E has no comments on this issue at this time.

2. Please comment on the use of ABC and the allocations into the 3 proposed GMC service categories.

PG&E has no comments on this issue at this time.

3. 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.

PG&E would like to address the CAISO's proposed 2012 GMC Congestion Revenue Rights (CCR) charge. During the October 14, 2010 Stakeholder meeting, the CAISO seemed to indicate that the billing determinants for a 2012 GMC charge to recover Congestion Revenue Rights (CRR) Services costs would be "MW based." PG&E believes that the billing determinants for a GMC charge associated with CRR Services should be "transaction based."

PG&E is unaware of any costs associated with CRR Services that vary with the MW amount awarded. Some may argue that CRR Revenue Adequacy is a function of the MW of awarded CRRs. However, the GMC charges being contemplated do not address CRR Revenue Adequacy. There is already a mechanism to address surpluses or deficiencies in the CRR Balancing Account.

Instead, the proposed GMC charge attempts to recover system, labor and indirect costs associated with providing CRR Services. PG&E contends that the cost of providing CRR Services is a function of the number of CRRs nominated and awarded. Indeed, CAISO's actions in the recent past support this contention. CAISO needed to reconfigure their CRR Settlements Payload due to size constraints which were associated with the number of CRRs being included in the payload. Similarly, CAISO has encountered problems associated with the CRR Transfer/Load Migration Process resulting from the number of Load Migration CRRs being created each month.

Given these issues, PG&E proposes that CAISO adopt a GMC charge for CRR Services which is based on the number of CRR awarded to each CRR market participant. In addition, market participants who nominate CRRs (but are not awarded any) impose a cost which should not be subsidized by market participants who are awarded CRRs.

PG&E proposes that a GMC charge for CRR Services include the following:

- A uniform charge assessed to each Registered CRR Holder
- A charge for each CRR nomination in the allocation tiers and auctions
- A charge for each CRR awarded in the allocation tiers and auctions
- A charge for each ETC, CVR and TOR nomination in the allocation tiers
- A charge for each CRR awarded as a result of load migration
- A charge for each CRR transacted in the Secondary Registration System

The relative size of each charge is undetermined but as an initial proposal, PG&E suggests that CRRs awarded in the Annual Processes be three times (3X) the GMC charge assessed to each CRR awarded in the Monthly Processes. In addition, PG&E suggests that CRRs awarded in the Long-Term Processes be nine times (9X) the GMC charge assessed to each CRR awarded in the Annual Processes.

The relative size of the GMC charge assessed to load migration CRRs is an open question. CRR market participants can take actions to reduce nomination-based or transaction-based charges. In contrast, market participants that are Load Serving Entities (LSE) cannot take action to reduce the number of load migration CRRs they receive. Indeed, the design of the CRR Load Migration Process results in an equal number of CRRs being created for both the Load Losing LSE and the Load Gaining LSE. Furthermore, the number of CRRs created is largely independent of the amount of load migration between LSEs due to Direct Access or Community Choice Aggregation. Instead, the number of CRRs created is a function of the number of CRRs the Load Losing LSE has. Because of this, PG&E does not support a GMC charge which essentially penalizes LSEs for DA and CCA activity but believes a GMC charge for Load Migration CRRs is unavoidable due to the costs associated with administering the current Load Migration/CRR Transfer process.