

Stakeholder Comments Template

Subject: GMC Charge Code 4537 – Market Usage Forward Energy Final Proposal

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The CAISO seeks stakeholder input on the following:

1. Do you support the ISO's final proposal to change the market usage forward energy charge calculation to:

$$\text{Max [abs(Generation+Imports),abs(Load+Exports)]}$$

Response: No, PG&E supports maintaining the current, FERC-approved netting methodology.

The only issue which gave rise to the current Market Usage - Forward Energy (MUFE) Stakeholder process was whether inter-scheduling coordinator energy trades (ISTs) should be included in the MUFE billing determinant calculation. That issue has now been fully addressed, with a majority of Stakeholders approving the ISO's proposal to eliminate ISTs from the MUFE billing determinant calculation. By contrast, the issue of whether to continue to net Generation and Load to calculate the MUFE billing determinant had not been previously raised by any Stakeholder, nor was the netting issue contemplated to be included in the ISO's MUFE Stakeholder process. For example, in its July 2, 2009, Answer to FERC in Docket No. ER08-585, the ISO stated its intention to address *the allocation of the MUFE charge to ISTs* with Stakeholders. At no point in its FERC filings regarding the IST MUFE issue did the ISO place Stakeholders on notice that the continuation of the netting methodology would also be addressed.

Furthermore, while the ISO claims that the netting methodology violates cost-causation principles, this claim has not yet been supported by any cost-of-service study results. Indeed, certain Stakeholders have commented that from both a cost-causation and a "benefits received" perspective, the MUFE's netting methodology is warranted. Clearly, there is disagreement on the validity of maintaining the netting methodology, disagreement which, in the absence of a cost-of-service study, cannot be properly addressed.

PG&E believes that there is no compelling reason to address the MUFE netting issue now. Rather, the ISO should wait and address this issue when it has completed its next full cost-of-service study. Such a study will not only provide the factual basis

underpinning any change in the MUFE methodology, but it will also allow for a more broad-based examination of cost causation as it is reflected in the current GMC rate structure.