

Stakeholder Comments Template

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

Submitted By:

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Company:

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

Yes. As the ISO points out in its straw proposal, ISTs are financial transactions and do not trigger many of the ISO's market usage services. If there are certain market usage services used by ISTs, PG&E recommends revisiting this issue during a broader discussion future modifications to the MUFE, and potentially other, component(s) of the GMC.

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.

N/A

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

Yes. PG&E agrees with each of the *Pros* listed by the ISO in support of adopting Option 1, namely that Option 1 eliminates ISTs from the MUFE calculation, maintains the existing FERC-approved netting methodology and requires little change to settlements systems.

PG&E, however, does not believe that the *Cons* listed by the ISO for Option 1 are legitimate reasons for potentially not adopting Option 1. Specifically, there has been no cost support offered by the ISO demonstrating that Option 1 "is not the best option from a cost causation standpoint." In fact, in ISO testimony submitted in ER08-585 (filed February 20, 2008) in support of its post-MRTU GMC rate structure, ISO witness Ben Arikawa stated that a billing determinant based on the netting of purchases and sales in the Day-Ahead Market recovers the costs related to the Day-Ahead Market. (Exhibit ISO-1, pages 42 and 43.) Moreover, even if it can be demonstrated that cost causation principles are better reflected in Option 2, a re-examination of the netting of Generation and Load

must be done as part of a broader effort to examine whether cost causation can be better reflected in the GMC rate structure, especially for components such as the SMCR charge.

Likewise, there has been no information provided by the ISO and thus no basis to conclude that the netting of Generation and Load currently performed in the calculation of MUFE charges encourages SC to self-schedule. Consequently, PG&E supports continuing the netting of Generation and Load in calculating MUFE charges.

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.

N/A