

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.

Powerex supports the proposal to eliminate ISTs from the MUFE calculation. ISTs are primarily financial transactions and not energy related. As such, ISTs should be assessed on a per-transaction basis.

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.

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

Powerex does not support the ISO's straw proposal to continue netting physical energy in the MUFE calculation.

As outlined in the Discussion Paper, "Market Usage costs are classified as energy-related" and therefore the recovery of Market Usage costs should reflect the costs imposed on the system by "energy transacted from participants whose bids clear these markets". The activities (e.g. manage congestion, load forecasting, CRR's, mitigate bids, operate AS and real-time markets, monitor and report on market performance, etc.) that create the costs to be recovered in the Market Usage rate clearly benefit load, generation, and imports. Netting would be discriminatory and

unjustly shift costs to generators, importers, and load without generation assets while unduly benefiting load with generation assets. In Powerex's opinion, there is no justification for netting physical energy since all energy-related transactions, load and generation, impose costs on the system.

In addition, netting would also create a situation where there would be no certainty on the level of the Market Usage charge. There would be no price certainty for market participants for energy transactions since the amount of netting could vary significantly from month to month.

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.

Powerex supports Option 2 in the Discussion Paper to "charge all MWH of energy in the DAM without netting Load, Generation, Imports and Exports." In Powerex's opinion this alternative reflects the most appropriate allocation of market usage costs incurred for "energy transacted from participants whose bids clear these markets". This alternative would create the most stable Market Usage charge and lead to the most efficient market outcomes since it removes the incentive to self-schedule load and generation to avoid paying for costs imposed on the system.

Powerex notes that in any change in rate design, there may be rate impacts that need to be mitigated. If in the CAISO's opinion there are unreasonable rate impacts, the CAISO should propose a mitigation scheme to phase in the rate impact. However, it would be discriminatory to propose a mitigation scheme (e.g. netting) that insulates a market participant from paying on a pro-rata basis the costs associated with the benefits received by that market participant.