2012 GMC Draft Final Proposal

February 22, 2011

Timeline for 2012 GMC Rate Filing

Update board on rate structure
Feb 3, 2011

Conf Call to discuss Grandfathering
Feb 8,2011

Publish Draft Final Proposal
Feb 15, 2011

Conf call to discuss Draft Final Proposal
Feb 22, 2011

We are here

Comments on proposal due
Mar 1, 2011

Seek board approval of rate structure
March 2011

File rate structure with FERC
May 2011

New GMC structure & rates
Jan 2012

Guiding Policy and Ratemaking Principles

- Cost Causation
- Focus on use of ISO services, not market behavior
- Transparency
- Predictability
- Forecastability
- Flexibility
- Simplicity

Draft Final Proposal - Agenda

- Proposed GMC Structure
- Grandfathering Provision
- Treatment of Transmission Ownership Rights (TORs)
- Treatment of MSS Load Following Energy
- Revenue Requirement Cap
- Questions and Next Steps

Proposed GMC Structure

Cost Categories	Market Services	System Operations	CRR Services
Billing Determinant	Gross MWh	Gross MWh	Gross MWh
Fees to Offset Costs	Bid Segment Fee Inter SC Fee	None	Nomination/Bid Fee

Overview of Grandfathering Proposal

- Units that meet the criteria would be exempt from the System Operations charge until the first opportunity to renegotiate the contract or until the contract expiration
- An officer of the company must send the ISO a signed affidavit attesting to the information
- Intended to assist units that are severely impacted by the new GMC structure and unable to pass through those costs due to long term contractual obligations
- As of date of this publication, the ISO has not been notified of any other contracts that meet this criteria. The number of contracts remains at the 5 contracts identified in the earlier materials, and represents roughly 7.2 million MWh per year, which will decrease annually over time

Grandfathering Criteria

- The contract precludes the supplier from passing through the additional GMC costs under the 2012 design to the contract buyer
- The contract must have been executed prior to 1/1/11
- The duration of the contract must be three years or greater (until the first exit provision or termination)
- The generation owner must be the scheduling coordinator

Grandfathering Criteria (con't)

- The contract may not be with another scheduling coordinator that has the same parent company as the generation owner
- The contract may not be with the same scheduling coordinator ID under which the generation unit resides

Grandfathering Impacts

- The data below compares the grandfathering impacts using the same data set of May 2009 to June 2010

GMC (in millions)

Class	100% of supply (no grandfathering)	Grandfathering Proposal	Increase (Decrease)
CRR holders	$4.4	$4.4	$-
IOUs	$126.9	$128.4	$1.5
Marketers/ Importers	$20.7	$20.9	$0.2
Munis	$17.4	$17.6	$0.2
Others	$4.3	$4.3	$-
Suppliers	$21.3	$19.4	($1.9)

Treatment of Transmission Ownership Rights (TORs)

- Current GMC structure gives TORs a discounted rate because of limited ISO services required
- ISO is proposing to continue this discount in the new model
- Exclude 100% of TOR MWh from Market Services charge code
- Charge the minimum of a TORs supply or demand MWh
- Based on cost causation, the ISO is proposing a fixed rate of $0.27 per MWh and will create a new charge code

Treatment of Metered Sub System Load Following Energy

- Propose to exclude the MSS Load Following instructed imbalance energy from the Market Services GMC charge
- Cost causation impacts of this function are appropriately recovered through the System Operations charge

Revenue Requirement Cap Proposal

- Previous cap was established in 2004 at $195M
- Increased to $197M in 2006 and granted one year extensions since then
- Propose a 3 year cap
- Retain existing baseline cap of $197M in 2012 and a one time increase to $199M in 2013

Year	Rev Req Cap (in millions)
2012	$197
2013	$199
2014	$199

This will prevent the need for a 205 filing. The ISO will continue to follow the same annual budget process.

Questions and Next Steps

- March 1, 2011 – Stakeholder comments on draft final proposal due – send to gmc@caiso.com
- March 30-31, 2011 – ISO will present GMC proposal to Board for approval
- April 2011- Proposed tariff language will be provided for stakeholder review
- May 2011 – Proposed tariff amendments implementing revised GMC structure filed with FERC