

GMC Charge Code 4537 Market Usage Forward Energy

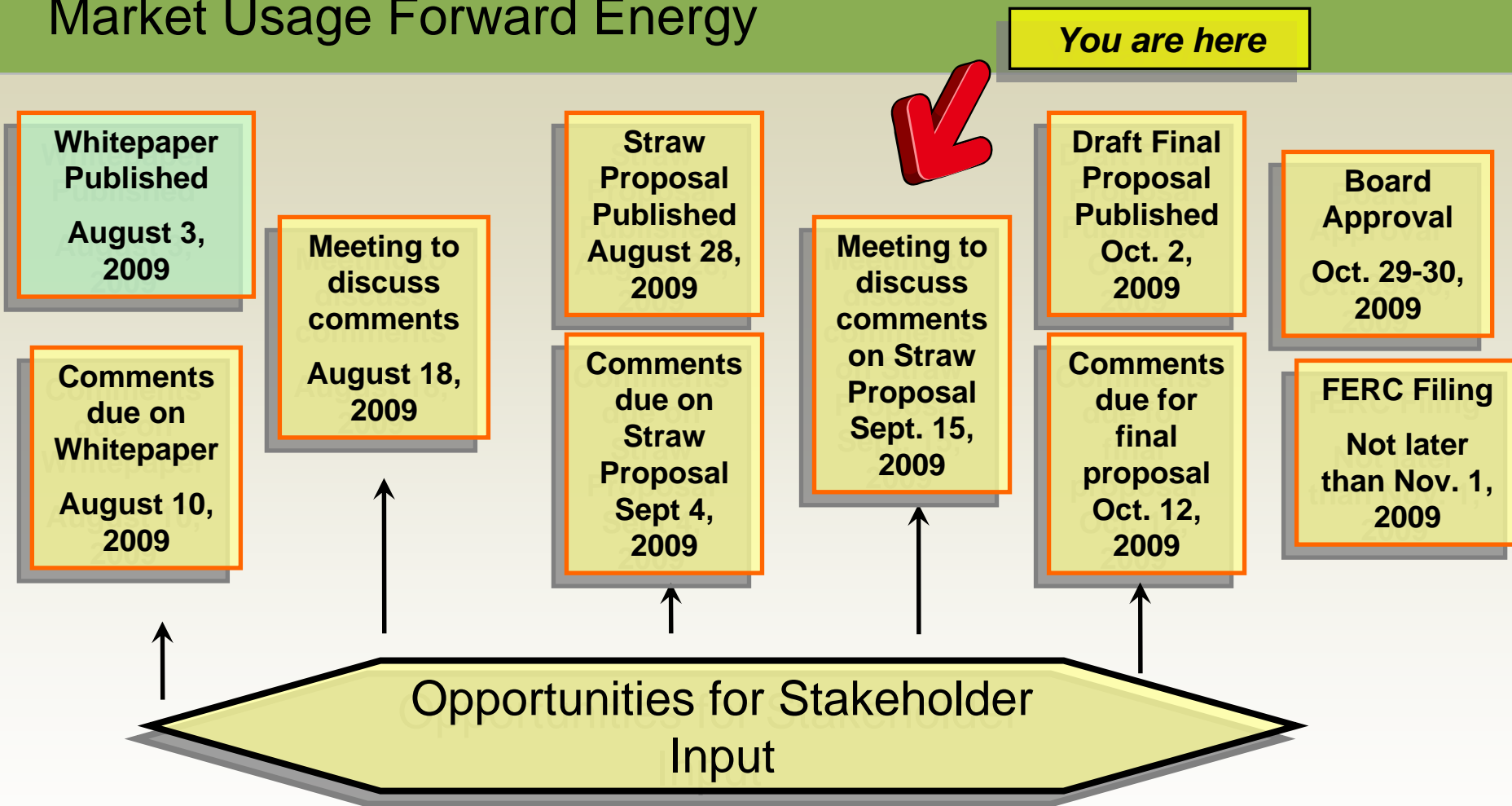
Review of Stakeholder Comments on Straw Proposal

September 15, 2009

Agenda

- Timeline
- Straw Proposal Review
- Review of Comments Submitted (and discussion)
- General Discussion
- Next Steps

Timeline for Stakeholder Process for GMC Charge Code Market Usage Forward Energy



Straw Proposal Review

- The ISO selected the netting of physical energy in the straw proposal
- Pro's of this approach are:
 - Eliminated ISTs from calculation
 - Maintains the existing FERC approved netting methodology
 - Requires little change to shadow settlements systems
- Con's of this approach are:
 - Not the best option from a cost causation standpoint
 - May encourage self scheduling

Stakeholder Comments

■ Comments from Calpine

- Viewable at <http://www.caiso.com/2423/2423bfb44e740.pdf>
- Summary
- Supports the removal of ISTs only if the resulting calculation is gross
- Does not support netting
- Believes it violates cost causation principles, shifts costs to generators, encourages balanced scheduling, and supports self scheduling
- Supports gross calculation and that bill impacts should not outweigh cost causation principles

Stakeholder Comments

■ Comments from Citigroup Energy

- Viewable at <http://www.caiso.com/2423/2423ba3220da0.pdf>
- Summary
- Supports the removal of ISTs
- Does not support netting
- Believes gross calculation is better cost causation
- Believes this charge should apply to any physical transaction at any node

Stakeholder Comments

- Comments from Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside (Six Cities)
 - Viewable at <http://www.caiso.com/2423/2423be0241df0.pdf>
 - Summary
 - Has no position on the removal of ISTs
 - Supports netting
 - Netting has been previously approved by FERC
 - Believes charging to gross schedules would impose excessive, unjust, and unreasonable charges on SC's that are scheduling their own resources to serve their own loads
 - Believes that applying MUFEE to both sides of a single transaction would be inconsistent with cost causation

Stakeholder Comments

- Comments from Constellation Energy
 - Viewable at <http://www.caiso.com/2423/2423c21461f10.pdf>
 - Summary
 - Fully supports comments from Western Power Trading Forum (WPTF)

Stakeholder Comments

■ Comments from City of Santa Clara

- Viewable at <http://www.caiso.com/2423/2423c29865f70.pdf>
- Summary
- Does not support the removal of ISTs
- Supports the current design of netting and ISTs
- FERC has already approved the current design
- Believes netting is a measurement of usage of the market
- Utilize ISTs to deliver power under long term contracts, discounting of such ISTs would have a negative impact for those SC's who have contracted forward to serve their load
- Urges consideration of other alternatives such as NCPA's proposal

Stakeholder Comments

- Comments from Direct Energy
 - Viewable at <http://www.caiso.com/2423/2423bd7f3c240.pdf>
 - Summary
 - Supports the removal of ISTs
 - Does not support netting
 - Believes netting is inconsistent with cost causation
 - Believes netting discriminates against load serving entities that own no generation such as electric service providers
 - Supports gross calculation

Stakeholder Comments

■ Comments from Dynegy

- Viewable at <http://www.caiso.com/2423/2423bd343b5e0.pdf>
- Summary
- Supports the removal of ISTs
- Does not support netting
- Believes that a SC that submits balanced schedules and does not benefit from any of the ISO's market usage functions is incorrect
- Many SC's cannot avoid this charge because they cannot net generation and load
- Believes it is inequitable to allow certain stakeholders to avoid costs incurred because of the existence of a market
- Supports gross calculation

Stakeholder Comments

■ Comments from JP Morgan

- Viewable at <http://www.caiso.com/2423/2423c14a59560.pdf>
- Summary
- Supports the removal of ISTs
- Does not support netting
- Supports gross calculation
- Believes gross is better cost causation
- Believes netting results in an inappropriate and unfair cost shift to those entities without both load and generation in their portfolio

Stakeholder Comments

- Comments from Northern California Power Agency
 - Viewable at <http://www.caiso.com/2423/2423c0f2588c0.pdf>
 - Summary
 - Does not support the removal of ISTs
 - Supports current MUFÉ design
 - FERC has approved the current design
 - Utilize ISTs to deliver power under long term contracts, discounting of such ISTs would have a negative impact for those SC's who have contracted forward to serve their load
 - Provided alternative option to keep current equation, but treat ISTs as a true offset rather than an absolute value

Stakeholder Comments

- Comments from Pacific Gas and Electric
 - Viewable at <http://www.caiso.com/2423/2423c02c4fa40.pdf>
 - Summary
 - Supports the removal of ISTs
 - Supports netting
 - References ISO testimony (Exhibit 1, pgs. 42 – 43) that a billing determinant based on the netting of purchases and sales in the DAM recovers the costs related to the DAM
 - Agree that as gross may be better from a cost causation standpoint, it should be done as part of a broader effort that examines components such as SMCR

Stakeholder Comments

■ Comments from Powerex

- Viewable at <http://www.caiso.com/2423/2423bcd939000.pdf>
- Summary
- Supports the removal of ISTs
- Does not support netting
- Believes gross is better from a cost causation standpoint
- Believes netting will unjustly shift costs to generators, importers, and load without generation assets while unduly benefiting SC's with both load and generation
- Suggested mitigating rate impact

Stakeholder Comments

- Comments from RBS Sempra Commodities
 - Viewable at <http://www.caiso.com/2423/2423bc5432ec0.pdf>
 - Summary
 - Supports the removal of ISTs
 - Does not support netting
 - Believes that gross is better cost causation
 - Believes netting implies that balanced schedules impose no costs on the market
 - Netting encourages self scheduling which hampers the ISO markets
 - Netting discriminates against LSE's that own no generation

Stakeholder Comments

- Comments from Sacramento Municipal Utility District
 - Viewable at <http://www.caiso.com/2423/2423c081576d0.pdf>
 - Summary
 - Generally supports the removal of ISTs
 - Expressed concerns about the costs of ISTs

Stakeholder Comments

- Comments from Southern California Edison
 - Viewable at <http://www.caiso.com/2423/2423b9be1ff10.pdf>
 - Summary
 - Supports the removal of ISTs
 - Supports netting calculation
 - Believes that netting does not provide any incentive to self schedule
 - Believes that a SC with matching supply and demand positions does not receive the benefit of selling the energy at market price and should not pay for that service

Stakeholder Comments

- Comments from Western Power Trading Forum
 - Viewable at <http://www.caiso.com/2423/2423c19b60d90.pdf>
 - Summary
 - Supports the removal of ISTs
 - Does not support netting
 - Believes that gross is better cost causation
 - Would be willing to consider interim mitigation strategies on a transition basis
 - Believes netting is a significant design flaw

Discussion

General discussion of comments on Market Usage Forward Energy
Charge Code

Questions and Next Steps

- Questions?
- Next Steps
 - October 2nd publish draft final proposal
 - October 12th comments due on draft final proposal
 - October 29-30 submit to Board of Governors for approval
 - November 1st submit filing to the FERC