

#### GMC Charge Code 4537 Market Usage Forward Energy

August 18, 2009

#### Agenda

- Timeline
- Whitepaper Review
- Review of Comments Submitted (and discussion)
- Cost Causation Review
- Discussion
- Next Steps



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





#### Whitepaper Review

- The ISO proposed two options for changing the Market Usage Forward Energy Charge Code
- Option 1 Net Physical Energy (abs(G+I+L+E))
- Option 2 Gross Physical Energy (abs(G+I-L-E))



- Comments from Calpine
  - Viewable at <u>http://www.caiso.com/2406/2406ed3011370.pdf</u>
- Summary
  - Supports option 2 gross calculation
  - Believes option 1 is inconsistent with cost causation
  - Believes option 1 inappropriately shifts costs to generators
  - Believes option 1 inappropriately encourages submission of balanced schedules
  - Believes option 1 inappropriately encourages self scheduling
  - Believes option 1 frustrates the ability to forecast costs
  - Believes option 2 meets cost causation principles and avoids unintended consequences



- Comments from CDWR State Water Project
  - Viewable at <u>http://www.caiso.com/2408/2408d37544d10.pdf</u>
- Summary
  - Supports other option
  - Believes Market Usage Forward Energy Charge Should be Applied to Inter SC Trades According to Services Received
  - Believes ETC Energy should not be Assessed Market Usage Forward Energy Charge under Gross or Net Approach
  - Believes Functional Association of the SMCR should be revisited
  - Believes ISO should review and update the cost allocation
  - Believes ISO should update its review of the administrative charges of other ISOs/RTOs



- Comments from Modesto Irrigation District
  - Viewable at <u>http://www.caiso.com/2406/2406c31a5bd70.pdf</u>
- Summary
  - Supports neither option at this point. Requesting quantitative analysis



- Comments from Morgan Stanley Capital Group
  - Viewable at <u>http://www.caiso.com/2406/2406a63519740.pdf</u>
- Summary
  - Supports option 2 gross calculation
  - Believes it best aligns with cost causation



- Comments from Northern California Power Agency
  - Viewable at <u>http://www.caiso.com/2406/2406e72260cc0.pdf</u>
- Summary
  - Supports current methodology
  - Out of the 2 proposed options, favors option 2 gross calculation with modifications
  - Believes option 1 does not support cost causation
  - Believes modification to option 2 should include IST's and AS schedules



- Comments from Pacific Gas & Electric
  - Viewable at <u>http://www.caiso.com/2406/2406ddd018520.pdf</u>
- Summary
  - Supports option 1 net calculation
  - Believes it more accurately reflects an SC's impact on the DA market



- Comments from Powerex
  - Viewable at <u>http://www.caiso.com/2406/2406c279537b0.pdf</u>
- Summary
  - Supports option 2 gross calculation
  - Believes it follows cost causation principle



- Comments from RBS Sempra Commodities
  - Viewable at <u>http://www.caiso.com/2406/2406e5e059420.pdf</u>
- Summary
  - Supports either option, but prefers option 2 gross calculation



- Comments from Southern California Edison
  - Viewable at <u>http://www.caiso.com/2406/2406d9bb6f060.pdf</u>
- Summary
  - Don't rush to make a change
  - Supports option 1 net calculation
  - Believes it supports a fundamental design principle under MRTU
  - Requests data to analyze options
  - Believes option 2 would unjustly shift costs to participants with both supply and demand



- Comments from San Diego Gas & Electric
  - Viewable at <u>http://www.caiso.com/2406/2406e67d5ac20.pdf</u>
- Summary
  - Supports option 1 net calculation
  - Believes it would be easy to implement
  - Believes it retains the concept of net energy cost causation



- Comments from Shell Energy
  - Viewable at <u>http://www.caiso.com/2403/2403c97a705d0.pdf</u>
- Summary
  - Supports option 2 gross calculation
  - Believes option 1 does not produce an accurate charge based on an SC's true impact on GMC costs



- Comments from Sacramento Municipal Utility District
  - Viewable at <u>http://www.caiso.com/2407/2407821e1c910.pdf</u>
- Summary
  - Supports option 1 net calculation
  - Believes it aligns with cost causation principles
  - Believes IST's should not be included in this charge code and supports either option over the existing design



- Comments from Western Area Power Administration
  - Viewable at <u>http://www.caiso.com/2407/2407d0d85f2b0.pdf</u>
- Summary
  - Supports the current design
  - Western is forced to use IST's to settle usage of the PACi imports to their loads



- Comments from Western Power Trading Forum
  - Viewable at <u>http://www.caiso.com/2407/240780f2148e0.pdf</u>
- Summary
  - Supports either option over current design
  - Requests data to review the two options



- The settlements BPM describes the charge as:
  - Market Usage Forward Energy contains the activities associated with determining the market prices, maintaining and controlling the OASIS, monitoring market performance, ensuring generator compliance with market protocols, and calculating the results of the Integrated Forward Market (IFM).
- Functionalization of Activity Groupings:
  - The following information was provided to FERC, in the testimony of Ben Arikawa, submitted in support of the GMC under MRTU rate design proposals set forth in the February, 2008 GMC application:[1]
    [1] February 20, 2008 Revisions to GMC filing to the FERC, Ben Arikawa direct testimony and exhibits <u>www.caiso.com/1f73/1f73c21917a40.pdf</u>



Function	Sub-Function	Activities within proposed Grouping
Market Services	Forward Scheduling	Manage transmission and generation schedules: •Day and HASP schedules (including Participating Intermittent Resources) •Determine schedule feasibility
Market Services	Market Usage	Manage congestion Day Ahead
Market Services	Market Usage	Monitoring and reporting on congestion management market performance Investigating and reporting on potential gaming and market power abuses (congestion)
Market Services	Market Usage	Perform weekly, daily and hourly load forecasting Operate A/S and Real-Time markets Determine market clearing prices (A/S and Energy) Mitigate bids (real time and forward) Maintenance of market information postings (transmission/market OASIS) Operate unit commitment service under SMD Mitigate market power in Day-Ahead Market, HASP and Real Time Market Develop and manage demand response participation Administer Congestion Revenue Rights: •Perform CRR allocation (Primary) •Coordinate CRR bilateral trading (Secondary) •Calculate and determine feasibility of CRR capacity
Market Services	Market Usage	Monitor and report on market performance Investigate and report on potential gaming and market abuses Perform special studies on market efficiency, bidding behavior Develop new market rules or changes to market rules in response to market behavior Prepare and provide reports to regulatory authorities Implement and calculate penalties and sanctions for noncompliance



- Q. What is the Forward Scheduling sub-function of Market Services?
- A. The ISO Forward Scheduling service provides Scheduling Coordinators ("SCs") with the ability to submit schedules for Energy, inter-SC trades, awarded Residual Unit Commitment and awarded Ancillary Services bids. In this context, a schedule is represented by a scheduling template (load, import, generation, export, inter-SC trade and awarded Ancillary Services and Residual Unit Commitment bids, including selfprovided Ancillary Services submitted through the ISO scheduling infrastructure and business rules system).



- Q. What is the Market Usage sub-function of Market Services?
- A. The Market Usage sub-function consists of the services the ISO performs in processing Energy and Ancillary Services bids, maintaining and operating the Open-Access Same-Time Information System, monitoring market performance, ensuring compliance with market protocols and determining market clearing prices. Market Usage consists of subcategories for each market segment: Ancillary Services and Real-Time Energy and the Forward (Day-Ahead) Market.



- Q. What is the appropriate classification of Forward Scheduling costs?
- A. Forward Scheduling costs are driven by the number of schedules processed rather than the MW included on each schedule because the systems that process schedules do not distinguish between schedules with large or small MW quantities. Each schedule requires approximately the same time and effort to process and verify regardless of the MW quantity. Therefore, Forward Scheduling costs vary with the number of schedules and not with the energy scheduled. Accordingly, the Forward Scheduling charge is assessed on a per-transaction basis.



- Q. What is the appropriate classification of Market Usage costs?
- A. Market Usage costs are classified as energy-related, meaning that they are a function of the volume of energy transacted. Accordingly, using MWhs as the billing determinant allows for recovery of prices on the basis of energy transacted from participants whose bids clear these markets.



#### Discussion

General discussion of comments on Market Usage Forward Energy Charge Code



#### **Questions and Next Steps**

- Questions?
- Next Steps
  - August 19<sup>th</sup> circulate draft extension request
  - August 28th publish straw proposal for MU Forward Energy

