

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 |
|--|-------------------------------------|-------------------|
| Greg Bass (619) 684-8199 and Harry Singh (203) 897-5571 | RBS Sempra Commodities ¹ | September 4, 2009 |

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

Yes. RBS Sempra Commodities¹ ("RBS Sempra") strongly supports the CAISO's proposal to eliminate ISTs from the MUFE calculation and no longer apply the MUFE charge to ISTs. As described in RBS Sempra's August 10th comments, this approach accurately reflects cost causation principles. The CAISO simply provides after-the-fact accounting for ISTs and there is no rational basis for applying the MUFE charge code to these activities as is done today.

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.

Not applicable.

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

No. RBS Sempra **does not support this option** (Option 1). The CAISO has consistently argued that its rates should follow cost causation principles. The August 28th Straw Proposal states that Option 1 is "not the best option" from a cost causation perspective.² The implication of using Option 1 would be that costs underlying the MUFE charge are related to net volumes rather than gross volumes in the market. This would imply that balanced schedules impose no costs on the market – something that is clearly not true. Since the MUFE charge is intended to reflect cost-causation principles, continuing to use Option 1 would not make sense. If making a change to the current approach causes a large impact on some participants, it is more a reflection of an existing unfairness rather than a reason to avoid correcting a flawed approach.

In addition, the CAISO admits that Option 1 encourages the use of self-scheduling, which hampers the CAISO markets, as Calpine accurately described in its August 10th

¹ RBS Sempra Commodities is the marketing name for Sempra Energy Solutions LLC, a CAISO Load Serving Entity and Sempra Energy Trading LLC, a wholesale energy marketer.

² Straw Proposal, p. 6.

comments. In fact, the CAISO's Straw Proposal ignores the many issues associated with Option 1 that were identified by Calpine in its August 10th comments.

The adoption of Option 1 even though it does not follow cost causation, would also discriminate against load-serving entities ("LSEs") that own no generation. In California's competitive retail market, electric service providers (ESPs), which generally own no generation, would be at a disadvantage compared to their direct competitors, the investor-owned utilities ("IOUs"), if the CAISO adopts an approach solely to reduce the rate impacts for "certain stakeholders" to the disadvantage of others.

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.

RBS Sempra strongly supports Option 2 (gross calculation). As described above and in our August 10th comments, Option 2 is more closely aligned with cost causation principles that the CAISO is using as the basis for the MUFE charge.