

Stakeholder Comments Template Subject: 2012 GMC Cost of Service Study Discussion Paper

Submitted by (Name and phone number)	Company or Entity	Date Submitted
Steve Williams 858 650-6158	San Diego Gas & Electric Company	October 21, 2010

ISO seeks written stakeholder comments on its 2012 GMC Cost of Service Study Discussion Paper located at: <http://www.caiso.com/281a/281ac7f165ad0.html>

Stakeholders should use this Template to submit written comments and or suggestions. Written comments should be submitted no later than Close of Business on Thursday, October 21, 2010 to: gmc@caiso.com. Comments will be posted on the ISO website.

1. Please comment on the design principles listed in the discussion paper, and suggest any others you believe should be considered.

San Diego Gas & Electric Company (SDG&E) is pleased with the effort by CAISO staff in this attempt to define costs and tie cost responsibility with the appropriate function and groups at the various levels identified in this discussion paper. The design principles appear to be practical and allow for a workable methodology of determining how costs might be allocated appropriately except for guiding principle 2 which states that the focus of the redesign should be on 'use of ISO services, not market behavior'.

An example of why the CAISO needs to consider market behavior can be found when analyzing the modifications made to the Market Usage Forward Energy Charge during calendar year 2009. One of the reasons for eliminating the Inter SC transactions in determining this GMC charge was that the charge for IST participants was acting as a disincentive for using this feature of the market. This example demonstrates that GMC rate design does in fact need to consider market behavior when developing new rates.

SDG&E TOR issue:

SDG&E shares joint ownership of the Southwest Powerlink ("SWPL") with Arizona Public Service Company ("APS") and the Imperial Irrigation District ("IID"), in percentages defined by the SWPL Agreements, APS and IID have Transmission Ownership Rights (TOR) on SWPL. Furthermore, SDG&E, as the Scheduling Agent under the SWPL Agreements, submits TOR energy schedules to the CAISO for the APS/IID SWPL Transactions, and the CAISO assesses charges to SDG&E, as the Scheduling Coordinator under the CAISO Tariff for the APS/IID SWPL Transactions. Furthermore, it is also important to note that the ISO GMC costs assigned to this customer class and upon which the rate is derived should not have a full allocation of certain ISO functional costs as other rate classes must pay. SDG&E argued this position in the prior ISO GMC stakeholder meetings and explained why a full allocation of such costs is inappropriate. The TOR allocation needs to be based upon cost causation as otherwise this class will subsidize other classes. SDG&E looks forward to working with the CAISO and CAISO stakeholders on this very important item.

2. Please comment on the use of ABC and the allocations into the 3 proposed GMC service categories.

SDG&E supports the continued application of the Activity Based Costing model to the GMC 2012 Cost of Service study as described in the discussion paper. Cost category percentages for allocating Level 2 direct operating activities for partial responsibility between both Market Services and System Operations may require more study before additional comments may be offered.

3. Please comment on the options the ISO has described for the billing determinants for allocating charge codes to users. Please describe any other options you believe should be considered.

SDG&E notes that the allocation of cost responsibility by ABC has only identified those customer categories having an impact on the various Level 1 and Level 2 direct operating activities, without specifically addressing the issue of just how a particular customer is, in fact, relating to these activities. For example, whereas Internal Load – UDC and Internal Generation – Merchant in Exhibit 2 are shown to have some relationship to the Level 2 activities for the development and running of the Day Ahead (Level 1 category 80005) and Real Time (Level 1 category 80006) market, the allocation of the actual costs must consider how the different customer types within the general categories of Load and Generation relate to these activities. If a customer is solely responsible for either the load or the generation resulting charges and payments, then it would appear reasonable to assume an allocation of costs based upon the metric (assuming MWh) for each. For UDC customers such as SDG&E who are participating in the markets on behalf of both Load and Generation, however, these direct operating activities are useful only so far as the net effect of providing incremental MWhs from the CAISO to balance supply and demand for the UDC customers. Opportunity for further discussion regarding the causes and impacts by and on customers (Scheduling Coordinators) will be important to come to the appropriate conclusions for cost allocation to users. In the process, it is hoped that the total number of charge codes currently in use for GMC charges may somehow be reduced.