

Stakeholder Comments Template

Subject: Draft Tariff Language CRR Amendment June 2, 2011

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Introduction

SCE appreciates the effort expended on this set of tariff changes and agrees in general with the changes proposed. Furthermore, the narrow targeting of the changes will help in gaining a reasonable level of consensus. That said SCE believes that the very simple tariff change proposed §36.4 does not reflect the substantial impact that change may have on customer risk.

SCE's Concern with Broader Ramifications of Changes to Tariff §36.4

The change, as written, adds the following consideration to those factors which can impact the Seasonal CRR Allocation: *"the expected impact of transmission Outages or derates that are not scheduled at the time the CAISO conducts the Seasonal CRR Allocation"*. This simple change has a larger impact than is apparent from the sparse language. The CAISO has proposed the OTC Breakeven Methodology to implement this change and this methodology will, by design, lead to a reduction in the allocation of seasonal CRRs aimed at a revenue neutral overall outcome. Revenue neutrality in this context is the balancing of congestion revenue and CRR entitlement payments. OTC Breakeven appears to be a reasonable method for estimating revenue neutrality in the seasonal allocation process but variations in grid conditions between the annual seasonal allocations and the monthly allocations are likely to result in monthly excursions from revenue neutrality. To correct for the resulting deviations from neutrality, the CAISO proposes a second methodology that utilizes a unique Local Derate Factor (LDF) for each path that will enable monthly corrections to the revenue/payment balance. This LDF methodology remains undeveloped and SCE has no way to evaluate its impact. This is at the core of SCE's reservations about the above tariff change.

Conclusion

Without a detailed LDF methodology, SCE is essentially blind to potential customer impacts and cannot even guess at the potential for increased customer risk. Because of this SCE cannot lend its full support for the tariff change. It should be said that the CAISO will be developing and evaluating this methodology in parallel with the FERC tariff filing. If this occurs, SCE anticipates that it can be more supportive of the proposed tariff change and the supporting OTC Breakeven and LDF CRR allocation methodologies. Until that time, SCE will reserve its full support and remain cautious in its acceptance of the proposed changes.