SCE Comments on Modifications to 2012 GMC Straw Proposal Grandfathering Provision

Southern California Edison ("SCE") is opposed to a grandfathering of certain suppliers so that their supply would not be assessed the System Operations charge for a certain amount of time. SCE has previously stated its opposition to a phase in of the assessment of the System Operations charge to supply.

SCE has been supportive of the overall proposed new GMC structure, with its goals of simplification and cost causation, even though SCE will pay more under the proposed new GMC rate structure than under the current GMC rate structure. A phase in or grandfathering provision is in SCE's view unwarranted for the following reasons:

1) A grandfathering would blunt the cost causation effect of the new GMC rate structure. A major goal of the ISO in proposing the new GMC rate structure is that the charges to market participants reflect costs imposed by those market participants on the ISO. Waiving a charge that is cost-justified is clearly counter to that goal.
2) Grandfathering (or phasing in) results in costs that must be borne by others. Since the ISO's revenue requirement must be collected in total from market participants, any amount waived for one market participant must be collected from other market participants. Some of these market participants, as is the case with SCE, would already pay more under the proposed new GMC rate structure than under the current GMC.
3) The GMC rate structure has never been guaranteed to remain static. In fact, there have been two previous major redesigns of the GMC since the inception of the ISO. Market participants should anticipate this possibility in their contracting.

In the most recent document "Modification to 2012 GMC Straw Proposal Grandfathering Provision", issued February 8, the ISO proposes certain criteria whereby a supplier may qualify for grandfathering. A grandfathered supplier would then be exempt from the System Operations charge until the underlying contract that the supplier has to sell its power expires, or reaches a point of renegotiation. The ISO lists six criteria that are intended to limit grandfathering, without opening up the grandfathering exemption to undeserving suppliers. SCE is concerned that additional suppliers may qualify for grandfathering that are not really deserving of the exemption, despite the ISO's best efforts to limit the qualification through these six criteria. In SCE's view, the complexity of determining which suppliers should qualify for grandfathering is yet another reason why grandfathering should not be considered.

SCE urges the ISO to consider additional alternatives to the grandfathering proposal set forth in the "Modifications to 2012 GMC Straw Proposal Grandfathering Provision" prior to seeking Board approval of the GMC.

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SCE