



SDG&E Comments on March 15, 2012 Cost Allocation Guiding Principles Draft Final Proposal

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SDG&E is pleased to provide comments on the above referenced proposal. We appreciate the CAISO’s effort to implement a rational, principle-based approach to cost allocation, and believe this proposal is a strong step in that direction. With that support as background, SDG&E submits the following comments for consideration:

- With respect to the arguments against the Manageable guiding principle, SDG&E fully supports the CAISO’s position. The proposal summarizes the opposing position on this issue: “Several stakeholders commented that if a resource cannot manage its cost allocation due to the nature of the resource type, then that is sufficient justification for not allocating costs to that resource.” This argument is flawed. As a practical matter, a resource that cannot manage its cost allocation due to a physical or market design constraint *could* manage its cost allocation through commercial arrangements either with the generation off-taker or other market participant willing to mitigate the risk of such “unmanageable” cost allocations. Furthermore, this argument is short-sighted because it ignores (and in fact precludes) the potential for commercial or technological innovation to enter the market place to provide new ways to manage cost allocations.

To conclude, SDG&E believes these guiding principles proposed by the CAISO are rational, principle-based, and is foundational to an efficient and durable market design.