

Stakeholder Comments Template

Subject: 2012 GMC Cost of Service Study Discussion Paper

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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CAISO seeks written stakeholder comments on its 2012 GMC Cost of Service 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.

The subject areas upon which CAISO seeks stakeholder input are:

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

SCE is in agreement that the seven guiding principles set forth in the discussion paper are useful principles to guide the development of the 2012 GMC structure. These principles are:

- 1) Cost Causation
- 2) Focus on use of ISO services, not market behavior
- 3) Transparency
- 4) Predictability
- 5) Forecastability
- 6) Flexibility
- 7) Simplicity

Specifically, SCE agrees with the ISO that simplicity and transparency should be considered in developing the GMC rate structure, as that will allow customers to better understand how their market participation decisions may affect their GMC costs. SCE will caution however, that the focus on cost causation and the use of ISO services (and not market behavior) should not be absolute. Market behavior may be affected by GMC rates (which are prices from the perspective of market participants, and which therefore do affect their decisions). There should always be a final check on GMC rates, and a continuous monitoring, to ensure that GMC rates are not unduly negatively affecting market outcomes. Accordingly, an eighth principle should be added:

- 8) GMC rates should be designed to minimize adverse market outcomes.

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

SCE is supportive of the ISO's implementation of ABC. ABC should allow the ISO to better determine its cost of service associated with its activities and align its GMC rate structure with its underlying costs.

The three GMC service categories (Market Services, System Operations, and CRR Services) are in SCE's view appropriate. However, it may be appropriate in some cases to have more than one billing determinant to recover the costs of one of these three service categories. This should be considered over the course of the stakeholder process.

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.

The ISO has proposed several potential billing determinants for use in recovering the costs of the three service categories from customers:

- 1) Allocation to Demand: Establishing a metric and calculating the denominator by summing the energy withdrawals by load and exports.
- 2) Allocation to Supply and Demand: Establishing a metric and calculating the denominator by summing the injections by generation and imports and the withdrawals by load and exports.
- 3) Transaction Fees to Offset Total Cost: Transaction fees, such as bid segment fees, are set at an appropriate level to allow a market participant to make an economic decision whether to incur the added expense. The transaction fee creates a marginal cost that serves two purposes: (1) limits excessive usage by market participants, and (2) recovers costs of transactions that participate but do not result in a successful outcome (e.g., energy bids that do not clear the market). The costs recovered by transaction fees are used to offset the revenue requirement of the associated cost category. For example, a bid segment fee would offset the revenue requirement of the Market Services Cost Category.
- 4) Administrative Fees: Administrative fees are used to establish an appropriate cost to allow a market participant to make an economic decision whether to incur the added expense. For example, a SCID monthly fee can be used to manage the number of active/inactive SCIDs maintained in the system. The costs recovered in this manner are typically used to offset the revenue requirements of the other cost categories.

SCE agrees that these potential billing determinants should be considered for use in determining the GMC rates. In general however, SCE would oppose the application of a System Operations GMC rate to supply. SCE is concerned that supply (generators) would simply incorporate that GMC rate into its bids, and raise the market price commensurately. And the benefits of reliable System Operation are accruing to demand. The Market Services service category may appropriately be recovered from both supply and demand, as both directly use that service. As the stakeholder process proceeds, SCE may have additional ideas for billing determinants.

