



EDAM RSE Failure Surcharge and Revenues Allocation

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SCE is supportive of CAISO's proposal for an interim solution and to subsequently explore a long-term solution

- SCE understands that developing accurate calculations could be difficult, but not impossible, and the obstacles to achieve this are due to time and resources.
 - SCE agrees with CAISO's proposed Track A and B timelines
 - SCE encourages CAISO to continue to hold further discussions with stakeholders to develop a more accurate proposal for Track B
- SCE disagrees moving forward with CAISO's current proposal of allocating surcharges pro-rata on metered demand:
 - Does not follow cost causation principles
 - A few bad acting LSEs who don't bring enough supply could cause the entire CAISO BAA to fail, leaving the other load serving entities to bear most of the cost
 - Lack of emphasis of the importance of forward procurement when all LSEs share the burden of RSE failure with no accountability

SCE Proposal for Day 1 of EDAM Go-Live (Track A)

- CAISO should have a RSE failure surcharges and revenues allocation methodology that:
 - Is easy to implement for EDAM Go-Live
 - Does not have to be perfect, but adequately follows cost allocation principles when allocating revenues and surcharges to LSEs
 - Encourages LSEs to be adequately supplied for passing the RSE and sharing the revenues benefits while enforcing charges to those “bad actors” that cause RSE failures
- SCE’s proposes a 2-tiered approach for RSE Failure surcharge
 - Tier 1
 - Surcharge gets allocated to LSEs that were deficient in the monthly RA showing (adjusted for any CAISO CPM backstop) up to the RSE failure deficiency MW amount
 - Tier 2
 - Remaining RSE failure deficiency amount gets allocated to all LSEs (including those subject to tier 1) on a pro-rata basis to metered demand + RSE exports
- SCE’s proposes a RSE revenue allocation to all LSEs on a pro-rata basis to metered demand
 - Revenue is created from non-performance in other BAAs; No causation linkage to LSE RA performance/showings
 - Given lack of causation, just allocate pro-rata to metered demand

SCE's RSE Failure Surcharge- Example 1

The following demonstrates how the failure surcharge would be enforced with a mix of RA compliant and non-complaint LSEs:

RSE Failed Amount: 100 MW

LSE1: RA Sufficient

LSE2: RA Insufficient by 40 MW

LSE3: RA Sufficient

How the surcharges will be allocated:

Tier 1 – 40 MW surcharge would be allocated to LSE2

Tier 2 – 60 MW surcharge would be allocated to LSE 1, LSE2, LSE3 (pro-rata based on metered demand + RSE exports)

SCE's RSE Failure Surcharge- Example 2

The following demonstrates how the failure surcharge would be enforced when all LSEs are RA compliant

RSE Failed Amount: 100 MW

LSE1: RA Sufficient

LSE2: RA Sufficient

LSE3: RA Sufficient

How the surcharges will be allocated:

Tier 1 – All LSEs are compliant, so no one gets assessed this charge

Tier 2 – 100 MW surcharge would be allocated to LSE 1, LSE2, LSE3 (pro-rata based on metered demand + RSE exports)

SCE's RSE Failure Surcharge- Example 3

The following demonstrates how the failure surcharge would be enforced when all LSEs are not RA compliant

RSE Failed Amount: 100 MW

LSE1: RA insufficient by 40

LSE2: RA insufficient by 50

LSE3: RA insufficient by 20

How the surcharges will be allocated:

Tier 1 – Total RA deficiency is 110 MW

LSE1: $\sim 36.4\%$ * hourly surcharge amount $(40/110 = \sim 36.4\%)$

LSE2: $\sim 45.4\%$ * hourly surcharge amount $(50/110 = \sim 45.4\%)$

LSE3: $\sim 18.2\%$ * hourly surcharge amount $(20/110 = \sim 18.2\%)$

Tier 2 – No charge



Thank you

Questions?