

Williams Power Company Inc.'s Initial Comments on Gas-Electric Coordination Issues  
February 16, 2007

Williams Power Company, Inc. (Williams) thanks the CAISO for the opportunity to submit these initial comments in the CAISO's stakeholder process on gas-electric coordination issues:

Williams believes the following issues should be discussed and addressed in this process:

1. A general review of electric market timelines and gas market timelines and potential conflicts.
2. The misalignment between gas prices used to calculate the Default Energy Bid under MRTU (and the current proxy bid as well) and actual gas costs that will be incurred as the result of the CAISO's dispatch of resources through real-time according to the Default Energy Bid or proxy bid. More broadly, this misalignment creates the un-hedgeable risk of having to unexpectedly burn or lay off gas in real time due to changes in electric market conditions that cannot accurately be predicted during the gas nomination cycle.
3. Whether there are sufficient mechanisms to ensure that generators can recover imbalance penalties that can accrue as the result of complying with CAISO dispatch instructions under all circumstances. An expectation that generators can always account for the risk of imbalance penalties in their market bids does not align with the prospects for a market in which significant amounts of energy may be dispatched according to mitigated bids.
4. Balancing problems and the potential for imbalance penalties can occur not only under conditions when the CAISO has called a unit that was not scheduled to run but also when the CAISO first commits a unit, then rescinds that commitment instruction. OFO conditions can involve over-pressure conditions, where shipper system receipts will not be allowed to exceed system withdrawals, not just peak consumption days where under-pressure conditions might exist.
5. The potential impact of the Southern California Gas Company's Firm Access Rights tariff should be evaluated. One area of focus should be the effects of Firm Access Rights on low capacity factor units which CAISO dispatches for reliability.

Williams looks forward to participating in this process.