

**Comments of Pacific Gas and Electric Company
On the ‘Refinements to Proposal for Interim Measures to Address
Underscheduling Under MRTU’**

PG&E provides these further comments in response to an August 2, 2007 request by the CAISO for market participant input ‘Refinements to Proposal for Interim Measures to Address Underscheduling Under MRTU’.

As indicated through comments provided on May 7, May 31, June 22 and July 10, 2007, PG&E continues to believe that the implementation any new underscheduling charges are unnecessary. However PG&E recognizes the CAISO staff’s responsibilities in addressing the FERC requirements to develop interim measures to address underscheduling¹ in MRTU prior to the implementation of convergence bidding. Most recently PG&E provided support for the CAISO staff’s earlier FERC-based reporting and assessment approach²; however this alternative has been withdrawn by the CAISO staff in favor of a bright line test with penalties imposed by the CAISO.

Notwithstanding PG&E’s earlier comments, concerns and previous support for the FERC-based approach which are still valid, outlined below are comments specific to the latest CAISO staff proposal.

Bright Line Rule

The CAISO staff has proposed that a bright line rule be established that would be used as the triggering mechanism for the impositions of penalties³. Two options were developed:

- a) Hours per Month - Interim Scheduling Charge (penalties) would be triggered during a calendar month after an SC violates the 15% threshold over 36 times per month, the penalties would apply on a going forward basis for the remainder of the calendar month.
- b) Total Hours During the Interim Period – Interim Scheduling Charge would be triggered after the SC violates the 15% threshold over 438 times during the period that the interim measures are in place, the penalties would apply on a going forward basis for the remaining time that the interim measures are in effect (until convergence bidding is implemented).

PG&E supports and recommends the selection of option b), ‘Total Number of Hours’ approach.

¹ FERC MRTU Order 09/21/2006, paragraph 452.

² Interim Scheduling Report provided to FERC for their review, evaluation and possible sanctions.

³ With applicable thresholds and exemptions, penalty rate of \$150/MWh when metered load is greater than 15% of the DA schedule, \$250/MWh when metered load is greater than 20%.

Interim Scheduling Charge Thresholds

The refined proposal retains the 15% and 20% thresholds as previously recommended by the CAISO staff. Apart from general objections to penalties indicated previously, PG&E can support the continued consideration of the 15% and 20% thresholds.

Small Load Exemptions

Exemptions for small loads has increased to 500MW in the latest refined proposal, previous limits were 250MW, up from 100MW and up from 1MW; PG&E objected to the 250MW threshold and similarly now objects to the higher 500MW limit. While the CAISO staff indicates that under-scheduling of smaller volumes of demand in the Day Ahead Market would not have a significant effect on Day Ahead energy prices, nonetheless it remains discriminatory to establish rules that appear to selectively target only the three Investor Owned Utilities (“IOUs”) in California. LSEs representing 500WM of load are not fringe participants in the CAISO markets; to the extent possible, all LSEs should participate on a level playing field guided by a consistently applied set of CAISO rules.

Conclusion

Notwithstanding PG&E objections to the penalties and a general preference for an earlier FERC-based reporting alternative, upon consideration of the options and changes presented in the most recent refined proposal, PG&E would recommend adoption of the ‘Total Hours’ (438) approach for a triggering threshold and reconsideration of the small load exemption limits. For follow-up or questions, please contact Brian Hitson (415-973-7720) or Kevin Coffee (415-973-7631).