

October 31, 2007



Comments of PG&E on the CAISO's Issue Paper - Updates to CAISO's Station Power Protocol for MRTU

PG&E respectfully submits these comments in response to CAISO's October 19, 2007 request for comments regarding updates to CAISO's Station Power Protocol for Market Redesign and Technology Update (MRTU). PG&E supports the CAISO in its effort to update the MRTU Tariff and change the Station Power Protocol to reflect pricing under MRTU as long as those changes continue to:

- a. preserve the LSE's ability to self-supply station power, and
- b. ensure that all energy supplied employing the CAISO's grid is accurately modeled, scheduled, and settled in such manner that reduces or eliminates any potential for market manipulation resulting from nodal price differentials.

The issue paper notes that the CAISO is in the process of updating and incorporating the Station Power Protocol (SPP) to conform to the CAISO's MRTU and to move from Zonal to LMP-based pricing. PG&E also understands that with the implementation of MRTU, load will be settled at the Default Load Aggregation Point (LAP) or at a Custom LAP.

The CAISO's Issue Paper includes three options for Settlement of Station Power Load under MRTU:

1. Settle all Station Power Load at the Default LAP whether it is self-supplied or third party supplied.
2. Settle both on-site and remote Station Power Load at the resource specific LMP at a Custom LAP and settle load supplied by a third party at the Default LAP.
3. Settle all Station Power Load whether self-supplied or third-party supplied at the resource specific LMP at a Custom LAP.

The third option, to settle all station power load, whether self-supplied or third-party supplied, at the resource specific LMP or at a custom LAP, is the best and most appropriate. This option would allow on-site generation to fully off-set station power and properly price congestion/loss impacts for supplying power from off-site locations. With proper CAISO vigilance, power designated to serve station load will not be used to serve non-station load.

In addition, the CAISO paper states that the CAISO has no plans to change the Station Power appendix in accordance with MRTU. As these changes are substantive rate provisions that should be in the tariff, the pricing provisions should be incorporated into the CAISO tariff.