



**Comments of Pacific Gas and Electric Company
Market Design Initiatives Catalog**

Submitted by	Company	Date Submitted
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PG&E appreciates the opportunity to participate in the prioritization process of the CAISO's Draft Catalog of Market Design Initiatives. While PG&E acknowledges the importance of prioritizing the initiatives in the Catalog, at this time PG&E supports delaying the high-level prioritization until after the RI-2 Roadmap is complete as described in Option 2. In addition to weighing in on this timing question, PG&E offers the following comments on the prioritization process and initiatives.

Support Delay of Detailed Comments and Ranking (Option 2)

In the Draft Catalog, the CAISO has laid out two timing options for conducting the high-level ranking of proposed initiatives:

1. Perform high-level ranking after receiving stakeholder comments on the catalog. Detailed ranking would be performed after the RI-2 roadmap has been established.
2. Wait until after the RI-2 roadmap has been established to perform both steps in the ranking process.

Given the large-scale changes being contemplated through the RI-2 Initiative, and the fact that RI-2 could potentially encompass or make obsolete some of the initiatives described in this catalog, PG&E supports a delay in the prioritization process until after the roadmap is complete as described in Option 2. Any high-level prioritization conducted before the RI-2 Roadmap is completed may be outdated by the time the detailed ranking would take place. PG&E believes that it would be a better use of stakeholder and CAISO staff time to delay the high-level ranking until early next year.

In the meantime, PG&E suggests that the CAISO conduct an ongoing evaluation of how the initiatives in the Market Design Catalog interact with the proposed items in the RI-2 Roadmap, especially those initiatives that are already underway or are FERC-mandated. Load Granularity refinement is an example of a FERC-mandated initiative that could impact the planned 2014 implementation of RI-2.

The CAISO Should Move Forward on Discretionary Initiatives It Has Committed to Start in 2011

Postponing the Catalog prioritization process under Option 2 should not impact the CAISO's timing on discretionary initiatives which it has committed to start in the second half of 2011. These include:

- Marginal Loss Surplus Allocation - scheduled to start in Q4 2011 (see 07/15/2011 Master Stakeholder Engagement Plan)
- Enhanced Outage Management Functionality - commitment made by CAISO in the 2011 CPUC RA Process.

Additionally, although the start of AB32 has been delayed one year, the CAISO should engage the stakeholder process early enough to ensure that its systems (and those of market participants) are operational at the start of 2013.

CAISO Should Consider a Stand Alone BCR Initiative to Address Multiple BCR Issues

In the context of emergency filings at FERC related to BCR, the CAISO has expressed the need to take a holistic look at the BCR mechanism, as opposed to pursuing piecemeal patches and fixes. While there is currently no such comprehensive initiative in the Catalog, PG&E reiterates the seriousness of the recent issues with BCR and urges the CAISO to consider starting a stand alone initiative that addresses: (1) the issues related to the two emergency FERC filings, (2) the separation of the IFM and RT BCR calculations (currently included in RI-1), and (3) any other discretionary BCR issues (such as BCR for Units running over multiple days)..

Ensure Consistency with the Master Stakeholder Engagement Plan

PG&E suggests that the CAISO ensure that the Master Stakeholder Engagement Plan and the Market Design Catalog are consistent. There are several initiatives that are either being deleted or combined with larger initiatives, such as Two-Tier Real Time BCR allocation (section 12.12) and BCR for Units Running over Multiple Operating Days (section 12.13), A/S Exports (section 12.15) etc. PG&E requests that the Master Stakeholder Engagement Plan be aligned to reflect any changes that come out of the ranking process.

Request for Clarification on 72-Hour RUC

PG&E requests clarification on the description of the 72-hour RUC initiative. The CAISO released a number of documents (BRS, Draft Final Proposal, etc.) during Q3 of last year, yet it lists the project status as “The development of this initiative is scheduled to begin in the 3rd or 4th quarter of 2011”. PG&E seeks clarification on the applicability of those existing documents and the current timing of this initiative.