PG&E’s Comments on RA Import Allocation Draft Tariff Language

CAISO MRTU Tariff Mailbox:

PG&E appreciates the recent efforts of CAISO management and staff to develop a workable, revised proposal for allocating intertie capacity for RA counting purposes under MRTU. PG&E is generally supportive of the CAISO’s proposal on an interim basis, and looks forward to working with the CAISO, as we’ve discussed, on aligning these tariff provisions with other tariff aspects that give effect to the 2005 EPAct’s policies supporting long-term power supply arrangements.

PG&E agrees that allowing LSEs to bilaterally trade portions of allocated intertie capacity that may be unused after the CPUC’s year-ahead demonstration requirement process is preferable to adoption of a so-called “use it or lose it” rule and preserves the correct incentives.

PG&E also fully supports adoption of a cap on the quantity of intertie capacity that may be allocated to LSEs at the greater of: (1) the load ratio share, or (2) Existing Contracts and Pre-RA Import Commitments. Such a limit results in a fairer allocation of intertie capacity relative to earlier versions of the proposal.

While we are generally pleased with the allocation proposal, we think further work needs to be done to ensure that these allocations support long-term investment. PG&E would prefer to see the ultimate methodology include a feature that would include the ability for LSEs to obtain long-term RA import counting certainty on a branch group for resource investments made after March 2006, and the implementation of an RA import allocation queue that would provide LSEs contracting with anticipated new generation greater certainty that they will be able to count the resource towards their RAR once the new resource comes on-line. It is our understanding that the CAISO and CPUC will review this issue in the near future as other long-term market elements are reviewed.

To improve clarity, PG&E suggests revisions to the draft MRTU Tariff language as follows. First, to make the tariff easier to read and understand, the CAISO should label each step in the allocation process with a descriptive title (see attached redline for suggested titles). Second, four terms defined within the allocation process should be defined, or have their definitions expanded, in Appendix A:

- Existing Contract Import Capacity from Step 3
- Maximum Import Capacity from Step 1
- Remaining (or unallocated) Remainder Import capacity (step 11 and 10b) – should be defined and the appendix could note that,
such that remainder capacity is the result of LSEs under-requesting capacity on a particular branch group.

- Import Capacity Load Ratio Share should be more clearly defined to avoid confusion, specifically in the case in which a subset of LSEs is used to calculate the Load Ratio Share in allocation tie-breaker rounds.

PG&E recommends that the CAISO make the nominal changes to the draft tariff language as recommended above prior to submission to FERC for final approval. Again, PG&E looks forward to working closely with the CAISO in the future to enhance the MRTU Tariff so it supports the longer-term commitments prioritized under the 2005 EPAct.