Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for CAISO’s Bidding and Mitigation of Commitment Costs Initiative and to submit comments regarding the July 12, 2010 Draft Tariff Language.

Introduction

These comments are submitted under the assumption that the July 12, 2010 draft tariff language does not reflect the full scope of tariff changes which will come out of the draft final proposal for this initiative. We understand this draft tariff language is only intended to allow MSG units to bid startup and the minimum load as conventional units do today, and to introduce rules which govern MSG transition costs.

Section 11.8.3.1.7.1 IFM Transition Costs Applicability

There seems to be an inconsistency between the Draft Final Proposal and the Draft Tariff Language regarding how the 3% tolerance band will be established. The draft final proposal indicates that the tolerance band will be symmetrical above and below the transition in question and will be based on the lower configurations PMax or the higher configurations PMin: “The tolerance band will be determined at the resource level, i.e., it will be based on the resource’s PMax”.

For example, if a transition between two configurations occurred at 500 MW, the draft final proposal methodology would create a 15 MW band (3% of 500 MW) both above and below the transition point.

However, the Draft Tariff Language states that the 3% limit will be based on a proportion of the unit’s actual operating level:

... the CAISO shall apply the IFM Transitions Costs for the Settlement Intervals in which the Multi-Stage Generating Resources reaches the Minimum Load amount of the MSG Configuration to which the Multi-Stage Generating Resource is transitioning, subject to a tolerance band of the greater of three (3) percent of the delivered metered Generation or 5 MW for the Multi-Stage Generating Resource.
This methodology would result in an asymmetrical tolerance band with a slightly smaller error being accepted when approaching the configuration from the bottom. Using the same example of a 500 MW transition point, this would result in a 14.6 MW (3% of 485.44) band when approaching the configuration from the bottom, and a 15.5 MW (3% of 515.46) tolerance band when approaching it from above.

The difference between these two methods is subtle, but we believe it to be material. Any changes made to this section should also be reflected in 11.8.3.1.4.1, and 11.8.4.1.7.1.

Section 30.4.1.2 Registered Cost Option

In this section, it is clearly defined that for conventional units the startup and minimum load elections will be constrained by the rules in Section 39.6.1.6 (200% of the Projected Proxy Cost). However, the section for MSG rules simply states, "The cap for the Registered Cost values for each MSG Configuration will be based on the Proxy Cost values calculated for each MSG Configuration". We suggest adding a reference to section 39.6.1.6 in the last sentence of this section to explicitly state that MSG units will be governed by the same 200% of projected proxy cost rule.

Section 30.4.2 Transition Costs

The term "Transition Costs index" seems to be new to the tariff and is not defined officially in Appendix A. Apparently it is defined here as the, "Transition Costs dollar value divided by the applicable monthly Thousand British Thermal Units (MMBtu) Gas Price Index..." We recommend that a definition be added for this term as it is somewhat unclear what it means. In essence, this term is the same as the "Implied Heat Input" which appears in the final table of the third version of the Proposed Multi-Stage Generating Transition Cost Rules Spreadsheet. Simply referring to it by this name would make the section easier to understand and more aligned with the draft final proposal.

Furthermore, what is the value of having market participants submit both a dollar per transition value and a "Transition Costs index" which the CAISO will then validate as being consistent with one another? It would seem simpler to have market participants only submit a dollar per transition value and then for the CAISO to calculate the Implied Heat Input automatically. The extra submission and validation step seems redundant.

As a small correction to this section, MMBtu refers to million British thermal units, not thousand British thermal units. We therefore recommend changing the sentence quoted above to instead read as, "... divided by the applicable monthly Gas Price Index ($/MMBtu) on the day that the Scheduling Coordinator..."

Another small inconsistency with this section is that no reference is made to the "Transition Matrix" which was established in the third Draft Tariff Language for MSG Modeling\(^1\). It would seem that this section should specifically refer to the matrix if market participants are in fact expected to use it when submitting their transition costs.

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\(^1\) Third Draft Tariff Language for MSG Modeling [http://www.caiso.com/278e/278eab40638e0.doc](http://www.caiso.com/278e/278eab40638e0.doc)