

**PG&E Comments on CAISO Draft Final Proposal “Post-Release 1 MRTU
Functionality for Demand Response”
November 12, 2008**

1. Schedule for detailed technical information needed to develop PDR and DDR

In order for PG&E to meet its proposed dates for having significant DR as PDR in summer of 2010 and significant DR as DDR in summer of 2011, technical details are needed soon from the CAISO. The Schedules presented by the CAISO at the November 5 CAISO meeting indicated that the User Guide for PDR would be finalized by April 2009 and the User Guide for DDR would be finalized in the fall of 2009. Significant information is needed before these dates. We request more detail on the schedule so that the critical information we need to get our systems ready can be completed in a timely manner. We propose the following information and time frames:

- A first draft of key elements of PDR Technical Standard by January 2009
- A first draft of key elements of DDR Technical Standard by January /February 2009

These technical standards need to be at a similar level of detail as the current Participating Load Technical Standard. Prior to the User Guides being final, PG&E believes that the foundational technical standards of the PDR and DDR can be developed.

The CAISO schedule plan should indicate critical milestones that must be achieved prior to implementation of DDR such as cost of infrastructure, cost/benefit analysis, and any WECC, NERC, and FERC actions needed for integrating DR, particularly the integration of DR as ancillary services.

- The information from the 2009 DR PL pilots should be factored into the schedule.

2. Establish a Timeline for releasing Enhanced PDR model

As currently scheduled, the CAISO Board would approve DDR/PDR on Dec. 16 – 17, 2009. The CAISO plans to release PDR in September 2009 and release DDR in February 2010. The CAISO indicated that the Enhanced PDR model may provide Day-Ahead AS as well as RT energy. We request that the CAISO consider implementing the Enhanced PDR model on the same schedule with major MAP functionalities (now planned for Feb 2010), such as DDR and Scarcity Pricing Design. In any case, the CAISO should plan and present a more specific timeline for enhanced PDR.

PG&E notes that the timing of the CAISO roll-out plan impacts the ability of market participants to mitigate scarcity pricing events, especially in real-time. The current schedule anticipates releasing DDR in February 2010, the same time when Scarcity Pricing is to go into effect. However, there will be a lag time between the release of the DDR functionality and the emergence of robust, commercial-scale DDR programs that can mitigate real-time scarcity. It is clear from this timeline that Scarcity Pricing implementation is outpacing the development and implementation of working programs that can mitigate the number and severity of scarcity events via DR ancillary services. Although this initiative timing mismatch will not be a primary concern in the DR stakeholder process, PG&E does want to draw attention to this problem and will pursue possible solutions in the Scarcity Pricing stakeholder process.

3. Enhanced PDR model should provide AS in both DA and RT market

Given that AS must have the same technical capabilities whether selected in DA or RT, please confirm that enhanced PDR could also provide RT AS. If not, can the CAISO explain?

PG&E requests that the CAISO evaluate and if feasible implement Day-Ahead AS and Real-Time AS for the enhanced PDR model. Adding this capability could reduce costs and help deal with Scarcity Pricing.

4. Reduce AS procurement target in Real-Time market to reflect DR from NPL and PDR

The current CAISO's design of Non-PL and PDR models does not reduce AS Requirements target in Real-Time. We would suggest CAISO reduce the AS procurement target in Real-Time market to reflect Non-PL and PDR if these DR products are called in Day-Ahead.

When DR products (Non-PL and PDR) are called in the Day-Ahead, the DR MW would be deducted from the CAISO forecast of CAISO demand for RT. PG&E understands that the AS procurement target has been settled with the IFM therefore it can not be adjusted in the Day-Ahead, however PG&E believes the CAISO should reduce AS Requirements in Real-Time. Such a change could reduce AS costs.

5. Allow PDR participation in RUC

The CAISO has indicated that the PDR model will be extended to support Non-Spinning Reserve capabilities. Given that the locational attributes of PDR, expected at a sub-LAP levels generally conforming to the Local Capacity Areas, PG&E's request clarification on why PDR should not be considered for RUC participation as well. DDR will support both RUC and Non-Spinning Reserve; it is not clear why the CAISO has limited PDR to just the superior service of Non-Spin.