PG&E Comments

Ex-Post Price Correction Make Whole Payments

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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the Ex-Post Price Correction Make Whole Payments stakeholder process and to submit comments regarding the October 28, 2009 Issue Paper and the November 4, 2009 CAISO Presentation. PG&E offers the following comments regarding the CAISO's Ex-Post Price Correction Make Whole Payments Straw Proposal.

Adjustment for Price Corrections Above Submitted Bid Curve

Support as Proposed in Issue Paper. As stated in the straw proposal, the CAISO intends to honor a load's bid curve even if a price correction effectively renders the entire bid curve uneconomical. PG&E feels this is a reasonable solution and reinforces correct market signals. The proposal ensures that demand will only be forced to pay a price for delivered energy which is consistent with their bid curve. Price corrections which take place outside of the market clearing mechanism should not impact the economics of participating in the wholesale market.

Adjustment for Price Corrections Within Submitted Bid Curve

Support as Proposed in Issue Paper. In the event that a price correction renders only part of a participant's demand curve uneconomical, PG&E supports a two tiered method to calculate Make Whole Payments. The number of awarded MW for which the price correction remains economical should be settled at the corrected price. The MW difference between this number and the total MW which were awarded should be settled at the bid price correspondent to the total MW value. We acknowledge that this will result in a higher price than if the entire MW quantity was settled at the original bid value, but we are not opposed to the general framework.

Entire Day vs. Per-Interval Make Whole Payments

Support Entire Day Netting. PG&E supports netting of Make Whole Payments over the entire Trading Day because this is consistent with how Bid Cost Recovery (BCR) is calculated for supply. Calculating Ex-Post payments for each interval would result in higher payments to load because intervals with such payments are not offset by intervals in which the cleared price is lower than the load bid. However, the advantage of per-interval calculation is not currently given to supply in BCR, and Make Whole Payments for load should be calculated in a similar fashion.

Allocation of Revenue Imbalances

Suggest Charging Revenue Imbalances to Supply. PG&E suggests all revenue imbalances for Make Whole Payments to load be charged to supply, not demand. Supply benefits from the upward price corrections, and these benefits should be used to offset any Make Whole Payments. Taking this approach is reasonable since it allows supply to reap the rewards of upward price corrections but provides a ceiling in cases where the corrected and cleared prices are significantly different. Moreover, allocation of Make Whole Payments for load to load would not seem to be a productive exercise.

Furthermore, if possible, this charge should be allocated proportionally to specific suppliers that have actually benefited from the price correction in question. For example, if only a few generator nodes are corrected to a value that necessitates a Make Whole Payment to load, these generators should be allocated the imbalance charge. Similarly, if a price correction is made at an intertie, all suppliers selling power at the intertie for the corrected interval should be allocated the charge. Finally, if a price correction applies across the CAISO, then the cost of Make Whole Payments should be proportionally allocated to all supply that has benefited from the upward price correction. We understand that implementation of such direct proportional allocation may be difficult, but we suggest this as a guiding principle to be implemented where possible.