

Hinman, Cynthia

From: Seireg, Bahaa [B1ST@pge.com]
Sent: Tuesday, February 24, 2009 8:53 AM
To: Hinman, Cynthia
Subject: PG&E SCP Comments

Ms. Hinman,

On behalf of PG&E, I would like thank you for leading the CAISO's effort to create a Standard Capacity Product (SCP); the stakeholder process has been very well organized. The SCP has the potential to create effective environment by which the LSE and the supplier can purchase and sell RA capacity. However, PG&E has two concerns that I would like emphasize and bring to your attention (please see our submitted comments which expresses concerns related to other topics).

I. Schedule Outages

CAISO's proposal does not address the treatment of scheduled outages. To become a truly standard and tradable product, the SCP must eliminate the obligation of LSEs to replace RA that has already been purchased. The treatment of scheduled outages in the RA counting rules seems to be the main obstacle to allowing an LSE's compliance obligation "to end with the submission of their RA plans." In R.08-01-025, the CPUC's Energy Division recently proposed "to remove the Scheduled Outage counting rules adopted in Section 3.1 of D.06-07-031. PG&E recommends that the CAISO incorporate CPUC Energy Division's proposal into the SCP proposal; the SCP will do nothing to ease the administrative burden of purchasing RA if LSEs continue to be involved in scheduling the outages of RA generators.

II. Grandfathering

The CAISO's current grandfathering proposal is significantly improved from previous versions in that it no longer excludes contracts for which the contracting parties fail to "certify that the availability standards and incentives in their contracts are at least equal to the requirements set forth in the SCP tariff language". Unfortunately, the CAISO's proposal continues to exclude "renewals and evergreen type extensions"; PG&E has many QF contracts and at least one seasonal exchange that are evergreen in the sense that they do not terminate absent counter-party action. In addition, PG&E derives substantial amounts of RA from DWR contracts. It is still unclear whether the CAISO intends to grandfather DWR contracts in the event that they are novated. Restructuring evergreen and DWR contracts to conform to SCP would entail significant costs; consequently, PG&E proposes that the CAISO grandfather all contracts signed before January 1, 2009 and clarify that novation of a DWR contract to an IOU will not affect its grandfathered status.

Thank you very much for the opportunity to address these very important matters,

Bahaa Seireg
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