

PG&E comments originally received in email format from Glenn Goldbeck.

Outlined below are preliminary PG&E comments on the CAISO Proposal on CRR/FTR Contingency Plan with MRTU market launch Delayed issued January 22, 2008. Additional comments may be provided after the January 24, 2008 stakeholder call scheduled to discuss this proposal. PG&E certainly supports the efforts of the CAISO staff to establish an orderly transition process from FTRs to CRRs with the implementation of MRTU, the following are recommendations that may improve the process and clarify PG&E's positions:

- o Definitive commitments/communications are needed very soon from the CAISO in order to avoid unnecessary or wasted efforts. Currently efforts are underway to provide necessary data and monthly CRR nominations for April 2008; informal communications with the CAISO has suggested that April nominations will not be needed, further, it has also been suggested that May nominations may no longer be under consideration as well. PG&E strongly urges the CAISO to establish a revised CRR monthly timeline as soon as possible but not later than the end of January so that intensive but unneeded CRR efforts can be avoided.

- o Proceed expeditiously to establish new FTRs auctions, starting as soon as practical. Adding complexity and necessarily arbitrary rules with a one and/or two month extension of current FTRs as proposed by the CAISO should be avoided if possible. A comprehensive FTR auction would better allow all market participants to best address their transmission hedging requirements and may avoid issues associated with a one or two month roll-over approach (eg. could one elect to roll-over one month but not two, or the second month but not the first; would partial roll-overs be allowed, could they differ by month?). PG&E does not oppose the duration of new FTRs through December 2008, although seasonal/quarterly granularity could be acceptable as well. In all cases, PG&E recommends the new FTRs auctions should start from April 2008. If this start date is not possible, then the CAISO's roll-forward approach could be implemented for the minimum period achievable (i.e. one month), however this approach will require addressing the design issues highlighted above and numerous others (e.g. residual auctions for FTRs not rolled-over, limitations on FTR auction participants).

- o PG&E supports the pro-rata refund/collection process for current CRR auction holders, and in particular both the proposed collection and payments of interest associated with CRR auction proceeds (negatively-valued auction CRR holders should be required to repay a proportional share of their CRR payments, plus interest. If such interest cannot be recovered from these negatively-valued CRR auction holders, shortfalls should properly be addressed by all market participants and not just positively valued CRR holders as this possibility may represent a broad CAISO settlement limitation not be exclusive to CRRs)

PG&E appreciates the on-going staff efforts to finalize and implement both the CRR process and MRTU. For follow-up or questions, please contact Brian Hitson (415-973-7720), or Glenn Goldbeck (415-973-3235).