

PG&E has the following comments with regards to the Congestion Revenue Rights Non-Credit Policy Enhancements Draft Tariff Language.

1) In Section 36.8.3.5.1 (page 6), CAISO revised the tariff to state, "*An LSE or a Qualified OBAALSE may not nominate CRRs awarded with a CRR Source at the Trading Hubs in the PNP.*" In Section 36.8.4.1 (page 9), CAISO added the following sentence. "*CRR Holders of such combined Trading Hub CRRs will be eligible to renew these Trading Hub CRRs in the Priority Nomination Tier of the subsequent seasonal CRR Allocation process as described in Sections ___ and ___.*" First, the tariff Sections being reference have been omitted. More importantly, these two passages from Sections 36.8.3.5.1 and 36.8.4.1 seem to be contradictory. Please the revise the sentences to clearly state CAISO's intent. PG&E believes that CRRs sourced at the Trading Hubs should be eligible for renewal in the PNT.

2) Several of the tariff revisions are annotated with the passage, "*[Note – Due to implementation timelines, the amendments below highlighted in yellow...requested effective date in mid-December 2010 to be applicable starting with the January 2011 monthly process].*" This is inconsistent with CAISO's previously stated timelines. Specifically, PG&E thought Section 36.8.4.1 dealing with the treatment of CRR with Trading Hub Sources would be implemented in time for Tier 2 of the 2011 Annual CRR Process. Delaying implementation of 36.8.4.1 until after the 2011 Annual CRR Process will effectively delay Trading Hubs CRR renewal until the 2013 Annual PNT.

3) In Section 36.8.5.7 (page 10), CAISO states, "*The UDC, MSS, or other entities that provide distribution service to customers providing the CAISO the Load migration information referred to in Section 36.8.5.1, shall provide that same information to the affected load-gaining or load-losing LSE on the same date that it provides the information to the CAISO.*" This is not PG&E's understanding of the flow of load migration data. PG&E refers to CAISO's document titled "Draft Final Proposal on Non-Credit Issues Near-term Enhancements to Congestion Revenue Rights (CRR)" dated December 10, 2009, "*The ISO will establish this data transfer process in the Load Migration Work Group, but ideally the UDCs would provide the same data to the LSEs that the UDCs provide to the ISO.*" CAISO has stated its intention to convene a load migration working group to work out implementation issues including the topic of data transfer between UDCs and LSEs. With the aforementioned tariff revision, CAISO is memorializing in the tariff a process it has previously stated would be addressed in a future working group. PG&E is opposed to this provision. Currently, UDCs provide load migration data for all LSEs to CAISO which then communicates to each LSE its CRR transfer amounts. PG&E would prefer to continue this data flow arrangement. Regardless, it is premature to state, in the tariff, that "*The UDC...shall provide that same information to the affected load-gaining or load-losing LSE on the same date that it provides the information to the CAISO.*" A load migration implementation working group should be convened to decide this

issue. PG&E also questions whether this level of specificity is appropriate for the tariff. PG&E would prefer that this level of specifics be defined in a BPM or other document.

4) Similarly, CAISO dispute resolution process is predicated on the UDC providing information to all the LSEs. PG&E objects to any tariff reference that UDCs will provide information directly to the LSEs as stated previously. As such, Section 36.8.5.7 should be revised to remove these reference.

5) On the CRR Conference Call held on June 16, 2010, much discussion centered around the following passage in Section 36.4 - "*(ii) OTC adjusted for any long-term scheduled derates*". In the Draft Tariff Language, the passage remain unchanged despite numerous comments from market participants and CAISO staff that the passage would benefit if more clarity was added. PG&E asks that the passage "*(ii) OTC adjusted for any long-term scheduled derates*" being clarified to define OTC and how it can be adjusted.

6) Section 36.4 begins with the passage, "*[Note – Due to implementation timelines, the amendments below highlighted in yellow relating to the ETC adjustment will have a requested effective date in mid-December 2010 to be applicable starting with the January 2011 monthly process]*." PG&E does not recall an issue titled or characterized as "ETC adjustment" being discussed in the Non-Credit Policy Enhancements Stakeholder Process. PG&E asks for reference to posted stakeholder documents as to exactly what will be implemented as a result of these tariff revisions. PG&E distinctly recalls discussions centering around modeling approaches to better achieve revenue adequacy and refers to Section 4.3.2 in CAISO's document titled "Draft Final Proposal on Non-Credit Issues Near-term Enhancements to Congestion Revenue Rights (CRR)" dated December 10, 2009. Is this the stakeholder discussion CAISO is addressing with its revision in Section 36.4?

PG&E appreciates the opportunity to provide comments on the CRR OTC Methodology. For follow-up or questions, please contact Dan Sparks (415-973-4130) or Glenn Goldbeck (415-973-3235).