

PG&E Comments

E-Tag Timing Requirement

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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for CAISO's E-Tag Timing Requirement Initiative and to submit comments regarding the January 7, 2009 Draft Final Proposal and the January 14, 2009 CAISO Presentation.

PG&E appreciates the significant changes made in this Draft Final Proposal and believes that the proposed mechanisms will act as an adequate safeguard to deter implicit virtual bidding over the Interties.

Hour Ahead Scheduling Process (HASP) Reversal Settlement Rule

Supportive of Current Proposal: PG&E believes this approach provides sufficient economic incentives to ensure that physical bids are tagged appropriately and will deter Market Participants from using physical bids to carry out purely financial transactions. While acting as a safeguard, we feel this approach still allows for enough operational flexibility to carry out legitimate HASP reversals. Between this rule, GMC charges, and increased uplifts, it seems unlikely that any party wishing to arbitrage price differences on the Interties would choose an implicit virtual bidding strategy.

Congestion Revenue Rights (CRR) Settlement Rule for Intertie HASP Reversals

Not Opposed to Current Proposal: PG&E does not oppose the idea of applying the CRR settlement rule to reversed HASP bids. However, we are concerned that applying this rule to *all* HASP reversals might negatively impact liquidity by exposing physical players conducting legitimate market operations to a possible CRR clawback. Specifically, PG&E would not want to drive physical players away from the CAISO market in response to an overly conservative rule.

Could Support Applying Same Trigger as HASP Reversal Rule: In the event that compelling Market Participant feedback leads the CAISO to consider a more relaxed CRR settlement rule, PG&E could also support allowing the tagged portions of physical bids to be exempt from a potential CRR clawback. This change would make the trigger for both the HASP and the CRR settlement rules the same. Namely, that tagging the entire accepted Day Ahead bid would ensure a Market Participant is not subject to any clawback risk.