

PG&E Comments

Post Five Day Price Corrections

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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the CAISO's stakeholder process for the Post Five Day Price Corrections initiative and to submit comments regarding the April 2, 2010 Draft Final Proposal and the April 12, 2010 CAISO presentation.

Comments of PG&E on the Draft Final Proposal

Support FERC Review of Price Changes after Five Calendar Days¹

Requiring a FERC waiver for price changes made after five calendar days is consistent with other ISO/RTOs, and this standard will lead to greater price certainty. Moreover, setting a firm deadline for price changes will help to ensure a CAISO sense of urgency in completing the price validation work.

PG&E does not support a reduction in the validation (look-back) period from the current five calendar days. We support the five-day period so there is adequate time for market participants to identify market issues and for the CAISO to investigate those issues.

Request Greater Transparency Regarding All Post Five-Day Price Issues

The CAISO proposal to evaluate and post pricing issues discovered after the five-day look-back period seems reasonable. The prescriptive process will be enacted for those pricing issues which the CAISO deems there is a good cause to pursue a price correction. However, this process gives market participants no transparency into the full scope of pricing issues discovered after the look-back period. Without knowledge of all pricing issues, including those not deemed a "good cause", participants can't tell whether the market is working well, or, instead, the CAISO is simply deeming all post five-day issues as not "good cause". More transparency is needed.

¹ There is confusion about whether the CAISO is proposing a price validation (look-back) period of five business days or five calendar days. The proposal refers to five business days. However, the CAISO has indicated to PG&E that was an error, and the actual proposal is five calendar days. PG&E supports maintaining the current price validation period.

PG&E recommends that the CAISO publish all post five-day price issues, regardless of whether the CAISO deems them a "good cause" for correction or not. Such a publication could be made in the weekly price correction report and would only need to include a brief description of the possible issue. This report could also signal in advance to market participants which post five-day issues the CAISO intends to promote as possible price corrections.

Support Continuation of the Normal Dispute Process

As stated in the Draft Final Proposal, it is PG&E's understanding that these new rules will have no affect on the existing dispute process. We believe this is appropriate because the vast majority of disputes do not result in "price changes" that affect other market participants. However, to the event the normal dispute process uncovers the need for a larger price change, we expect the CAISO to employ the same process (technical bulletin, etc.) as any other post five-day correction.

Encourage CAISO to Pursue T+20 Calendar Days as Initial Firm Price Deadline

The reposting of prices due to processing issues is not considered a price correction, and, as such, is exempt from the post five-day rules. However, as recognized by the CAISO, processing issues that result in the need to alter posted prices are just as problematic from the perspective of market participants as actual price corrections outside the price correction time horizon. In response the CAISO is developing a plan of process improvements with the initial goal of having no changes to posted prices as a result of processing issues after T+20 business days, and an ultimate goal of a smaller window.

PG&E appreciates this initiative and understands it will require significant effort. However, we are concerned the initial goal of T+20 business days is not adequately ambitious. Twenty business days equates to nearly a month and seems excessive. Instead, PG&E supports an initial goal of T+20 calendar days to validate and post final prices in all the CAISO systems as outlined in our March 29th comments. This recommendation is based on information shared by the CAISO with PG&E.²

We understand the timeline and precise scope for this effort are still being determined. PG&E suggests the CAISO provide an initial timeline and scope before the May Board of Governors Meeting. Details of the CAISO's commitment to these process improvements may factor into Stakeholders' comments at the Board meeting.

Firm Price Deadline Requires Database of Record for Prices

Once the CAISO implements its improvements to establish a firm price deadline, it also needs to establish a database of record which is visible to market participants in case all systems are not synchronized at the deadline date. If the systems are not synchronized, the database of record would establish the prices. This is important because market participants and their counterparties engage in shadow settlements based on these prices.

² Twenty calendar days gives the CAISO five calendar days for price validation, a day to publish prices and 14 calendar days of contingency to troubleshoot and resolve processing and synchronization problems.

Specifically, based on the CAISO's current process, CMRI should continue to be used as the database of record for day-ahead prices, and OASIS should become the database of record for real time prices. Another option would be to begin posting real-time prices on CMRI and make this the database of record for all prices.