



## **Comments of Pacific Gas and Electric Company on the CAISO's Revised Joint Proposal to Address Exports of PIRP Energy**

These comments are in response to the CAISO's request for input concerning the document titled "Revised Joint Proposal to Address Exports of PIRP Energy," dated August 11, 2006 and revised on August 14, 2006.

PG&E continues to strongly support the development of renewable resources and CAISO administration of the Participating Intermittent Resource Program (PIRP). Refinements to the existing PIRP are necessary to more fairly allocate the costs of the program among the Scheduling Coordinators who benefit from it. Load serving entities receiving the economic and social benefits of renewable resources participating in the CAISO's program through exports of renewable resources delivering from within the CAISO control area must pay their fair share of the costs of the PIRP program.

### **Applicability**

PG&E agrees the revised proposal should apply to Energy produced by participants in the PIRP when that Energy is exported from the CAISO control area. However, new language in the revised joint proposal attempting to define it as non-precedential is unclear. As an alternative, PG&E suggests that the CAISO revise this aspect of the proposal to clearly reflect the intent of the parties. In PG&E's view, the intent of the proposal is to remedy the current inequity with respect to PIRP administration and cost allocation such that both load served from the CAISO control area and recipients of PIRP exports pay for a fair share of the costs of program implementation.

### **Implementation Date**

Since importers of participating intermittent resources from the CAISO currently receive benefits of the CAISO program without sharing in the costs of program

administration, the CAISO should implement the proposal to establish charges for PIRP exports as soon as possible. To assure equity and limit the potential for strategic contracting prior to the CAISO establishing the necessary billing and settlement mechanisms, the CAISO should request that FERC establish the earliest possible effective date. The CAISO would then have the authority to accumulate any PIRP exporting charges while the necessary billing and settlement system changes are implemented.

### **Future Re-Evaluation of the PIRP Export Provisions**

Changes in PIRP and the exporting provisions of the program may be necessary as the quantity of resources in the program grows. California renewable portfolio standards are likely to drive substantial increases in PIRP participation. Therefore, PG&E supports a provision that would require interested stakeholders to re-evaluate the proposal at specified points after it is approved by FERC. PG&E suggests that re-evaluation take place when any one or more of the following events occur: (1) six months after MRTU is initially implemented; (2) the date of June 1, 2009 is reached; or (3) upon reaching a PIRP participation level of 1,000 megawatts of capacity.

### **Use of Bias Adjustment Factor**

Irrespective of the implementation of the PIRP export proposal, the CAISO must evaluate and correct any inappropriate characteristics of the PIRP forecasting bias. The intent of the PIRP operational forecast should be to produce the most accurate ongoing forecast of PIR generation. The forecast bias should not be administered for the expressed purpose of minimizing deviations over the monthly netting period.

### **Exemption for Existing PIRP Energy Exports**

If any exemption for existing PIRP energy exports is to be provided, the exemption should only apply to commercial arrangements entered into after the inception of the PIRP and before the inception of assessment of PIRP costs for exported PIRP energy. PG&E, as it stated in the stakeholder meeting of August 9, 2006 can only support such exemptions if the amount of exempted capacity is clearly identifiable and if

the total amount of those exemptions is below a reasonable level. This limit should be based upon an initial showing by buyers and sellers of such pre-existing commercial arrangements. The CAISO should then identify the extent of the commercial export arrangements that are within the relevant timeframe so that interested market participants can assess whether exemptions for this class of participants are appropriate.

PG&E sees no reason why pre-PIRP commercial arrangements (i.e., those made prior to PIRP implementation by the CAISO) should receive an exemption. Any such arrangements would have been economic irrespective of the PIRP; accordingly, there appears to be no commercial basis for providing an exemption from export charges to such arrangements.

### **Identification of PIRP Exports after Implementation Date**

PG&E supports all provisions of the proposal that require PIRP participants to identify whether PIRP Energy output is being exported from the CAISO grid. These requirements are necessary to establish a basis for administration and enforcement of PIRP export charges. Participating generation facilities must be required to provide sufficient evidence to the CAISO to identify whether or not plant output is being exported to another control area.

PG&E agrees that PIRP export reporting requirements should be enforceable under existing provisions of the CAISO Tariff governing rules of conduct and market manipulation.

### **Charges Applicable to Non-Exempt Exports of PIRP Energy**

PG&E fully supports this provision of the revised proposal. Charges for regulation service should reflect a fair share of the actual regulation burden imposed by those intermittent resources participating in the PIRP. Furthermore, and as discussed during the conference call of August 14, 2006 the CAISO's PIRP export policy should treat in-state exports and out-of-state exports comparably.

### **Disposition of Funds Collected from PIRP Exports**

PG&E agrees that revenues collected by the CAISO from Scheduling Coordinators exporting PIRP Energy under the proposal should be used to offset charges that would otherwise have been billed to CAISO market participants under the existing PIRP charging mechanisms.

**Conclusion**

PG&E appreciates the CAISO efforts to remedy the inequities inherent in existing CAISO tariff provisions regarding administration of the PIRP and continues to embrace programs which foster development of renewable sources of energy. With the refinements discussed above, the revised joint proposal should foster more equitable trading of renewable energy across control area boundaries.