

**Comments of Pacific Gas and Electric Company
On the ‘Draft Congestion Revenue Rights Tariff Language’**

PG&E provides these additional comments in response to a July 3, 2007 request by the CAISO for market participant input ‘Draft Congestion Revenue Rights Tariff Language’ dated July 2, 2007.

The latest proposed CRR Tariff changes have been prepared by the CAISO to address a number of open design issues with respect to CRRs and LT-CRRs, particularly focusing on CRR reassignment due to load migration.

As it has indicated in prior comments, PG&E’s most significant concern involves the automatic, pro-rata re-distribution of LT-CRRs to account for load migration. However, the recent FERC Order on LT-CRRs¹ provides direction on this topic and as such, PG&E will not address this issue further in these comments.

A second major concern involves proposed changes to the Priority Nomination Process (“PNP”) that provides unfair preferences for acquired CRRs. This issue and several others related are outlined below.

Section 36.8.3.5.1 Tier 1 – Priority Nomination Process

The proposed tariff revision may create a conflict or confusion with existing tariff language. The proposed tariff provides: “the total quantity of Seasonal CRRs allocated to that LSE in the previous annual CRR Allocation minus the quantity of previously allocated Long Term CRRs for each season, time of use period and CRR Sink, and *minus any reduction for net loss of Load* through retail Load migration as described in Section 36.8.5.1 The foregoing limits on PNP nominations apply to the Seasonal CRR Eligible Quantity and Seasonal CRRs of an LSE *that reflect reductions for net loss in Load* and increases for net gain in Load through retail Load Migration as described in Section 36.8.5.1.” The subtraction for net loss from Seasonal CRRs that already reflect reductions for loss of load seems to create a double counting issue.

Section 36.8.3.5.1 Tier 2

This section, which prohibits OCALSEs from Tier 2 Hub nominations, and other sections will need to be revised to reflect the directions provided in the FERC Order of July 6, 2007.

Section 36.8.5.x Load Migration Between LSEs

A new section in the tariff needs to be included that indicates the process the CAISO will use to actual determine load migration quantities.

¹ *California Independent System Operator*, 120 FERC ¶ 61,023 (July 6, 2007).

Section 36.8.5.1 Adjustments Reflected in the Annual CRR Allocation Process Due To Load Migration

The CAISO staff has proposed tariff revisions (previously filed and conditionally accepted by FERC) that provide a undue advantage in the PNP for CRRs acquired through load migration. The proposed tariff language provides: “An LSE that gains Load through Load Migration in a given year will have its PNP Eligible Quantities increased in proportion to the gross amount of Load gained through Load Migration.” Load-gaining LSEs should not be given special preference to nominate acquired CRRs in the PNP. All LSEs should stand on equal footing in their efforts to reacquire needed CRRs. With the pro-rata reassignment of CRRs due to load migration, there will be many predictable circumstances where load-losing LSEs will retain the existing supply resources but will lose some portion of the underlying CRR congestion hedge. These LSEs would likely seek the missing CRRs in subsequent years. While the CRR pro-rata reallocation process is not in dispute, these new tariff provisions are in dispute. These provisions allow the load-gaining LSEs to nominate (the following year) the acquired CRRs in Tier 1, but the load-losing LSEs cannot nominate to recover these lost CRRs until Tier 2. The load-losing LSEs still retain the existing resource and is faced with the congestion cost exposure and risks but is inappropriately placed in a disadvantaged position relative to load-gaining LSEs. The principle or fairness of this change is not clear to PG&E.² Allowing both parties to nominate in Tier 2 seems to place both the load-losing and load-gaining LSEs on more equal footing. PG&E recommends that the original tariff language be reinstated, “There is no increase in an LSE’s PNP Eligible Quantities due to an increase in Load due to Load migration. Such an LSE may acquire additional CRRs for net Load gained in tiers 2 and 3 of the subsequent annual CRR Allocation.”

Section 36.8.5.2.1 Mid-Year Adjustments in Seasonal CRRs

Tariff spelling error “...Seasonal CRRs *within* the same CRR...”; ‘within’ should be ‘with’.

Section 36.8.5.2.1.2 Load Migration and Compliance with CAISO Credit Requirements

The tariff states, “The CAISO also may place the new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is *persistent*.” The CAISO staff should provide additional details to better define what ‘persistent’ means and to address the disposition of CRR revenues/charges that accumulate during the period the CAISO holds the un-allocated CRRs.

Section 36.8.5.2.2 Load Migration and Allocated Long Term CRRs

Tariff spelling error “...Long Term CRRs *in* the same CRR...”; ‘in’ should be ‘with’.

² To a limited extent, this issue was discussed in the FERC Order of July 6, 2007. FERC found some favor with providing a Tier 1 preference, however this was based on a false analogy to expiring ETCs; no specific FERC determination on direction was provided.

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Section 36.8.5.2.3 Load Migration That Occurs After Completion of the Annual Allocation Process

This entire section is no longer relevant and should be deleted. With the provision of counter-flow CRRs, the option of load-losing LSEs to provide a financial equivalent in lieu of CRRs has been eliminated; as such no further tariff discussion of this option is required.

Conclusion

In addition to the detail tariff changes outlined above, PG&E particularly requests that the CAISO reconsider the proposed changes to allow Tier 1 nominations for load-gaining LSEs that gives undue preferences. For follow-up or questions, please contact Brian Hitson (415-973-7720) or Glenn Goldbeck (415-973-3235).