

# PG&E Comments

## Ex Post Price Correction Make Whole Payments

Submitted by	Company	Date Submitted
Ian Quirk (415) 973-9798 Derick Stowe (415) 973-5662	PG&E	January 27, 2010

Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for the CAISO’s Ex Post Price Correction Make Whole Payments initiative and to submit comments regarding the January 12, 2010 Draft Final Proposal and the January 19, 2010 CAISO Presentation.

**PG&E Does Not Oppose Draft Final Proposal:** Since the beginning of this initiative, PG&E has supported the concept and proposed calculation methodology for Ex Post Price Correction Make Whole Payments for Accepted Demand Bids. However, as outlined in previous comments, it is PG&E's position that allocating the cost of corrections to load is inappropriate. Instead of charging load, PG&E supported the allocation of the costs to suppliers who benefited from the upward price corrections. In a December 23rd conference call the CAISO stated that it "philosophically agreed that supply charge back made sense." However, it is the CAISO's position that the severity of the problem does not warrant the CAISO system investments necessary to develop a new charge code for the appropriate uplift to supply.

The CAISO has performed an analysis showing that the potential magnitude of Make Whole Payments is relatively small and appears to be decreasing over time. Furthermore, based on discussions with the CAISO, the settlement mechanism for Make Whole Payments proposed by the CAISO does not appear to require PG&E to make any significant systems modifications.

Notwithstanding our cost allocation concern, PG&E does not oppose the CAISO's proposal. We base this decision on the relatively small dollars involved, the expectation that Make Whole Payments will continue to decrease over time, and the fact that the change does not appear to require any significant PG&E systems modifications. However, our position is contingent on the CAISO's commitment to publish a supplemental Make Whole Payment report.

**PG&E Position Contingent on Monthly Summary Report of Make Whole Payments:** PG&E's position of not opposing is contingent on the CAISO publishing a monthly summary report of Make Whole Payments so PG&E and other market participants can track the costs over time. At a minimum, we expect this summary to include aggregate totals of Make Whole Payments for each month, similar to Table 3 in

Draft Final Proposal.<sup>1</sup> Our expectation is that the cost of such corrections will remain small. If the cost increases to a more substantial level, PG&E will ask the CAISO to revisit the Make Whole Payment methodology.

---

<sup>1</sup> We request the Day Ahead corrections for virtual bids be reported separately from physical bids.