

PG&E Comments

Ex Post Price Correction Make Whole Payments

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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 December 16, 2009 Straw Proposal and the December 23, 2009 CAISO Presentation.

PG&E does not support the CAISO's Straw Proposal. Although, we have been supportive in concept of Ex Post Corrections Make Whole Payments for load, that support was conditioned on the correct allocation of the costs to suppliers who benefit from the upward price corrections.¹

In the December 23rd conference call the CAISO stated that it "philosophically agreed the supply charge back made sense." However, it is the CAISO's position that the severity of the problem does not warrant the system investment to develop a new charge code for the appropriate uplift to supply.² Instead the burden of the Make Whole Payment will be carried by Measured Demand not because it's appropriate but because it is convenient.

If the severity of the Make Whole problem does not warrant a correct fix, it warrants no fix at all. The CAISO's preliminary analysis shows that the HASP Exports will be the primary beneficiaries of the Make Whole Payment process. Consequently, LSE's with relatively less HASP exports would pick up a disproportionate share of the costs of the initiative. This is because the net of the Imbalance Energy charges (which includes HASP) get allocated to Measured Demand. We find this framework unjust and unfair.

In summary, we conclude that the CAISO's proposal will increase administrative burdens for both the CAISO and Market Participants and result in an unfair allocation of cost to some LSE's. PG&E would reconsider its position if the CAISO decides that a just and fair cost allocation mechanism is warranted.

¹ See PG&E's comments of Nov. 13, 2009 and Dec. 11, 2009.

² CAISO's estimate for Make Whole Payment upper bound for Apr-Nov 2009 is approx. \$1.5 million. See Dec. 16, 2009 Straw Proposal, p. 7.