

1. Statement Timelines – According to stakeholder comments due 11/13/08 for the Payment Acceleration straw proposal, more market participants preferred a 2<sup>nd</sup> true up at T+51 than at T+76. CAISO has proposed the latter option in its final proposal dated 11/24/08. PG&E advocates T+51 because it allows for the accounting of payments closer to the end of the actual trade month. PG&E understands that CAISO’s main reason for recommending T+76 is because of the additional time it gives CAISO for review of disputes from the first true-up at T+38. Presently, an SC has 8 days to review a preliminary statement issued at T+38B before submitting disputes by T+46B and the CAISO has 5 days to review the dispute before the final statement is issued at T+ 51B.

The current proposal of T+76 gives an SC 18 days between the first recalc at T+38 and the dispute deadline at T+56. CAISO then has 17 days of review plus 3 additional days to freeze any changes before issuing the true-up at T+76B. In contrast, a true-up at T+51B would give an SC only 5 days of review between recalc at T+38B and the dispute deadline at T+43B. The CASIO then also has 5 days plus 3 freeze days before the true-up is issued on T+51B.

PG&E feels there was not enough discussion of the statement timelines before the final recommendation was made. Consequently, PG&E would like to propose a third option at T+59 in order to accommodate both market participant accounting requirements and CAISO’s need for turnaround time for review. This option gives 9 days for SC review from T+38 plus 9 days for CAISO review plus 3 freeze days. In the shortest month (February), this would have second true up invoices for November theoretically arriving in time to book in February accounting without having to wait an additional month to book them at the end of March which would occur with the CAISO’s proposal of T+76B. PG&E believes that T+76B is building in too much review time to the detriment of accounting expediency. Hopefully, the CASIO will seriously consider PG&E’s proposal as a workable compromise solution for accounting expediency and adequate dispute review time.

2. Deployment Schedule - PG&E has stated consistently in its stakeholder comments that a minimum of 6 months after MRTU go-live should be required before payment acceleration begins. The CAISO’s current deployment schedule of less than 6 months is optimistic given the uncertainties of system stability surrounding MRTU. Furthermore, the current CAISO deployment schedule as documented on page 16 of the final proposal (Item #3) states that an acceptable requirement for stability is to “successfully publish one MRTU monthly statement and Invoice”. This statement should clearly state what criteria “success” will be measured upon and secondly what happens if the criteria are not met. Market participants should clearly understand how CAISO is defining and measuring MRTU system stability in order to assess their readiness for payment acceleration. PG&E continues to believe that a period of several consecutive months of successfully published statements and invoices (including second true-ups) under MRTU should be demonstrated before implementing payment acceleration.

3. Accelerated Meter Data Submission and Estimation – The final proposal deployment schedule does not specify when estimated meter data will start being

submitted. We would like a clarification of the market simulation and implementation in regards to submission of estimated data and how (and when) will this data be related back to the first payment acceleration related statements. According to the stakeholder comments from 11/13/08, adequate time must be allocated before implementation in order for system redesigns, changes and testing to be done on all affected software, hardware and processing platforms which will take more that 6 month to implement. PG&E would like to be able to generate T+5B meter data that will better represent true meter data. Given the amount of time and resources that would take for system changes, redesign, and testing, we will not be able to generate these estimated meter data for the first MRTU invoice with trade date 3/1-3/31/09 (as noted in the final proposal #3 on page 16) for the market simulation. More time is needed to evaluate and redesign our systems to provide quality meter data. Also, PG&E would like more clarifications to changes being made to the tariff, SC self audit and Business Practice Manual to support the responsibility and requirements of the SC.