

PG&E Comments

Post-Five Day Price Corrections

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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for CAISO’s Post-Five Day Price Corrections initiative and to submit comments regarding the March 19, 2010 Straw Proposal Addendum.

Through this stakeholder process, it has become clear to PG&E that the current five-calendar-day price correction window is not a firm deadline that guarantees price certainty for market participants in five days. Rather, it is an internal cut-off for the CAISO to complete its price validation process and update prices in an internal database which is invisible to the external market.

After the CAISO completes its price validation step, it takes at least 12 more hours to make the data publically available. Moreover, because of processing and system synchronization problems it can be several weeks before SaMC, OASIS and CMRI all show the same corrected data. This five-day window excludes both the time required to publish the validated prices in all of the systems that communicate with market participants and troubleshoot any processing problems. Therefore, even when the CAISO has met its price validation deadline of five days, it can be days or weeks after T+5C before prices appear finalized to the outside world. The five-day window does not provide transparency or market certainty for market participants.

PG&E supports the CAISO's retention of a five-day price validation window used to establish the cut-off for its internal process. However, we also believe market participants require more price certainty than is currently provided by this internal deadline. **PG&E recommends the CAISO establish a firm price update deadline transparent to the external world encompassing both the price validation process as well as the publishing process.**

Recommend a Firm T+20C Deadline for ALL Price Updates --- The CAISO should establish a hard price update deadline transparent to market participants. The deadline would accommodate both the price validation process as well as the publishing process and create price certainty at a specific date for market participants. This inclusive deadline will also simplify the resulting tariff and reduce potential interpretation issues by removing the "processing issues" exemption.

Based on current performance, PG&E suggests a hard T+20C deadline for ALL price updates. This gives the CAISO five calendar days for price validation, a day to publish prices and 14 calendar days of contingency to troubleshoot and resolve processing and synchronization problems. Based on information shared by the CAISO, twenty calendar days should provide adequate time to validate and post final prices in all the CAISO systems.

At T+20C all CAISO systems and interfaces should contain the same prices. However, the CAISO should establish a database of record which is visible to market participants at T+20C in case all systems are not synchronized at that date. If the systems are not synchronized at T+20C, the database of record would establish the prices.

Encourage CAISO to Implement More Aggressive Deadline --- PG&E has suggested a T+20C hard price update deadline based on current CAISO price processing performance. The twenty calendar days needed to complete the update is driven mostly by the need of a several week contingency to address processing or system synchronization issues. Troubleshooting and resolving these problems have at times taken several weeks.

It seems that price processing performance is an area ripe for improvement. PG&E recommends that the CAISO review the processes used to publish prices to see if the time needed to publish and resolve processing and payload issues can be reduced. If improvements can be made to reduce this time, PG&E encourages the CAISO to reflect these improvements in a more aggressive price correction deadline than the PG&E-suggested T+20C deadline.

Once established, PG&E recommends that the CAISO review annually the price update deadline for appropriateness.

After T+20C Price Changes Would Require FERC Approval --- PG&E supports the notion that the CAISO seek FERC approval for price changes after some milestone. Doing so provides price certainty and increases market confidence. PG&E recommends that the appropriate milestone is the firm T+20C update deadline and not the T+5C price validation window.

The original CAISO proposal requiring FERC approval of price changes after T+5C **with the exception for processing issues** does not provide price certainty, makes the tariff unnecessarily complex and will lead to disputes about what defines a processing issue. Instead, PG&E recommends the CAISO seek FERC approval of price changes after T+20C **with no exceptions**. Using the firm and transparent T+20C milestone will provide price certainty, make for a simpler tariff, and reduce the likelihood of disputes with market participants.

Do Not Oppose Retention of Five-Day Internal Price Validation Window ---

Notwithstanding our comments regarding the importance of establishing a firm T+20C deadline for all price updates, we do not oppose the CAISO retaining a five-calendar-day window to complete its price validation process. However, for the reasons discussed above the T+5C milestone should not be the threshold after which the CAISO seeks FERC approval of price changes. We support the CAISO maintaining the price validation period at five days so there is adequate time for market participants to identify market issues and for the CAISO to investigate those issues.