

**Comments of Pacific Gas and Electric Company
Revised Whitepaper on the Release of 2009 CRRs**

PG&E submits these comments in response to CAISO staff's Revised Whitepaper on the Release of 2009 CRRs and the Start-Up of the MRTU Markets dated August 26, 2008. These comments are intended to broadly supplement and re-enforce those submitted by PG&E on August 21, 2008 addressing the original August 8, 2008 CRR Whitepaper, and to highlight some growing concerns with respect to implementation timelines.

Consistent with earlier recommendations, PG&E supports the revised whitepaper changes that now establish that Season 1 CRRs will be allocated for the entire term (Jan-Mar), and that Season 1 Auction CRRs will have terms that match the expected start of MRTU.

While the revised whitepaper has proposed a one week delay in the start of the Tier 1 allocations, PG&E is concerned that the proposed CRR process is being unduly compromised in order to support a potential, but uncertain February 1, 2009 MRTU go-live deadline. There are a number of significant unresolved issues that will require additional time in order to adequately and properly address, further delays to the start of Tier 1 should be considered.

1) The Release of the Full Network Model (FNM) Has Not Been Timely. The CAISO had planned to release an update to the FNM mid-day August 28, however this has yet to be received by PG&E. Assuming that this is released sometime Friday afternoon, this leaves at most 9.5 business days to review the model. Last year CAISO allowed for ~4 weeks to review the final CRR FNM. For our due diligence, PG&E will need an additional two weeks in the current schedule to perform a similar analysis, integration and use of the final FNM.

2) Willful Avoidance of Tariff Requirements Should Not Be Acceptable. In the interest of conforming to a February 1, 2009 MRTU start-date, the current CRR allocation schedule as outlined in the revised whitepaper will require suspension of several previously approved tariff requirements dealing with the sequencing of the allocation Tiers and with the implementation of load migration requirements.

- The sequencing of Tiers was developed through a long stakeholder process and it reflects the need to conduct Tier LT between Tiers 1 and 2 for Year Two allocations and beyond. However the current CAISO CRR allocation schedule does not follow this sequence and will require the CAISO to seek a tariff waiver in order to avoid violation. Additional time of between one or two weeks should be provided in the allocation schedule to maintain the original sequencing provisions. (further details have been provided in PG&E's August 21, 2008 CRR comments).

August 29, 2008

- the deferral of the load migration processing by the CAISO will adversely effect the LSE CRR hedging results and this deferral is contrary to CAISO tariff requirements. The CAISO and UDCs are continuing to work on the load migration data problems. A deadline of September 19 has been set to provide additional, more granular load migration data and the CAISO has informally agreed with the working group to provide data validation procedures/tools to the UDCs to reduce errors and agreed that a testing period is necessary to insure the monthly process works correctly. PG&E seeks that in addition to correcting the "one-shot" update, that the CAISO successfully process two consecutive monthly load migrations. Based on this timing and adherence to current tariff requirements, this would put the earliest possible start of the CRR schedule at late October/early November.

The CRR process should not be unduly sacrificed in order to support a February 1, 2009 MRTU start date – CRRs comprise a very key element of MRTU and of its ultimate success. Given the uncertainty of the February 1 date and the concerns and impacts outlined above, PG&E would like to see additional time provided in the 2009 CRR allocation and auction process.

For follow-up or questions, please contact Dan Sparks (415-973-4130) or Glenn Goldbeck (415-973-3235).