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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies Underlying Long-Term Procurement Plans.

Rulemaking 08-02-007
(Filed February 14, 2008)

**ASSIGNED COMMISSIONER'S RULING AND SCOPING MEMO
ON THE 2008 LONG-TERM PROCUREMENT PROCEEDING, PHASE I**

1. Background

On February 14, 2008, the Commission opened Rulemaking (R.) 08-02-007 to integrate and refine the procurement policies, practices and procedures underlying the long-term procurement plans (LTPPs) filed by the three investor-owned utilities (IOUs), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). The rulemaking signaled that there would be two phases: Phase I would address issues that must be decided prior to the IOUs filing their 2010 LTPPs and Phase II will address issues not affected by the timing of the filing of the next round of LTPPs. This Assigned Commissioner's Ruling and Scoping Memo (ACR/Scoping Memo) only addresses Phase I scoping issues.

2. Phase I

The February 14, 2008 Rulemaking identified the following issues to be within the scope of Phase I:

- Standardized resource planning practices, assumptions and analytic techniques applied in long-term procurement plans, based on an integrated resource planning framework (planning standards);

- Interim standards and practices to evaluate the uncertain cost of future greenhouse gas (GHG) regulations during Assembly Bill (AB) 32 implementation and in anticipation of possible federal legislation (GHG uncertainty);
- Preparation of a report which provides specific information on each of the relevant programs either under the Commission's purview or funded by utility ratepayers that contribute to a reduction in GHG (GHG programs inventory);
- A methodology to quantify energy efficiency (EE) in the California Energy Commission's (CEC) forecast;
- Methodologies to estimate firm capacity from demand-side resources for long-term planning and procurement purposes;
- Customer risk preference study; and
- Other identified LTPP program implementation issues.

In addition, the Rulemaking invited parties to comment on the Preliminary Scoping Memo as to whether there were additional items to be added to the Scope of Phase I.

On April 2, 2008, a combination prehearing conference (PHC) and initial workshop was held to discuss the schedule and procedures for resolution of the Phase I issues. Parties worked with Energy Division (ED) staff and determined that planning practices, assumptions and standards, as well as the GHG uncertainty issues, would benefit from working groups and workshops. On May 21, 2008, an all-day workshop was held, and planning standards were discussed in the morning and GHG inventory reduction programs in the afternoon. It was then determined that parties needed an opportunity to comment on, and discuss, how the utilities would address GHG uncertainty issues in their next LTPP filings since so many implementation issues would still

be inchoate in 2009. An all-day GHG uncertainty workshop was held on July 10, 2008.¹

Also during this time period, the CEC and ED staff met and coordinated their approach to address EE load forecasting issues for both the CEC's Integrated Energy Policy Report (IEPR) and the IOUs' next LTPP filing. Both the CEC and the Commission staff are to be applauded for their collaborative work.

Unless otherwise stated in subsequent sections of this ruling, the Phase I issues identified and described in the Rulemaking, specifically the Preliminary Scoping Memo, are deemed to be in scope. Before addressing the status of each issue in this ruling, I make several clarifications, in response to parties' comments to the Order Instituting Rulemaking (OIR), with regards to the Commission's intent in this proceeding.

3. Clarifications on Rulemaking Intent

In comments on the OIR, certain parties asked the Commission to clarify what the role of the LTPP proceeding with regard to setting policy objectives in other procurement-related proceedings is. For example, SCE urged the Commission to clarify "how it intends to consider the inter-relationship of its various procurement-related objectives, programs and directives in this proceeding" when "in attempting to integrate the Commission's various procurement programs and directives, it may become apparent that conflicts or inefficiencies exist."² The Division of Ratepayer Advocates (DRA) observed that

¹ The notice scheduling the July 10, 2008 GHG uncertainty workshop indicated that post-workshop comments would be due August 8, 2008. At the workshop the judge amended the schedule and post-workshop comments were no longer requested.

² *SCE's Comments on Preliminary Scoping Memo* (R.08-02-007), filed March 17, 2008, at pp. 9-10.

“the OIR did not clarify how the integrated policies developed in the OIR will affect specific resource goals being developed in other proceedings.”³ These are valid observations that merit greater clarity.

Other than the IEPR, which conducts a statewide assessment, the LTPP is at present the only proceeding in which the load serving entities (LSEs) themselves are required to develop a resource plan, using the best available (including proprietary) data, and evaluate alternative plans under the constraints of current, and future, policy regimes. With proper Commission oversight and public participation, these plans offer California ratepayers and citizens the best opportunity to explicitly evaluate, in an integrated fashion, inherent trade-offs such as cost, risk, reliability, and environmental impact.

Whereas discrete policies, such as preferred resources goals or reserve margin, are appropriately analyzed and decided in separate dockets due to their esoteric and highly specialized nature; the LTPP integrates these policies, demonstrates their combined effect, and takes the long-view of loads and resources. To the extent that integrated analysis in the LTPP establishes a record and makes significant findings with regard to specific policies, then the Commission may consider this information in corresponding dockets.⁴ In short, the role of the LTPP proceeding is not to replace the policy-making function of other proceedings, but rather to compliment those proceedings, through a

³ *Comments of DRA on the OIR (R.08-02-007)*, filed March 17, 2008, at p. 3.

⁴ The decision of whether to use findings from the LTPP proceeding in another docket is at the discretion of the assigned Commissioner and Administrative Law Judge (ALJ) for that docket.

comprehensive compliance showing and an integrated analysis of current policy, amidst uncertainty in the planning environment.

Finally, to the extent that the LTPP lens is focused on the seven year and longer timeframe for new plants to be built, this proceeding in some cases must infer policy objectives that have not been articulated to a level of detail required for making procurement decisions.

Other parties urged the Commission to ensure that it continued to embrace its ongoing transition towards competitive markets (e.g., forward resource adequacy markets and the reopening of direct access) and not move towards more integration of the utilities. As we develop planning standards for the utilities, competitive market proponents caution against allowing too much integration that could choke the competitive market.

A number of parties, including PG&E, wanted clarification that Phase I would “not [focus] on larger policy issues, such as the merits of the hybrid market or other market proposals.”⁵ While some market participants, such as Independent Energy Producers (IEP), found the Commission’s approach of “establish[ing] policies and set[ting] goals that are then achieved through competition and market mechanisms” to be “a way to achieve integrated resource planning without overly prescriptive central planning authority,”⁶ other market players are less sanguine about planning standards. For example, Competitive Market Advocates (CMA) suggested that “continued discussion of integrated resource planning framework, including [planning] standards pushes

⁵ *PG&E’s Comments on Preliminary Scoping Memo* (R.08-02-007), at p. 4.

⁶ *Comments of IEP on the Preliminary Scoping Memo* (R.08-02-007), filed March 17, 2008, at p. 5.

the Commission back towards the utility investment paradigm rather than forward to a competitive market.”⁷

Market structures for various resources are being considered or developed in other Commission dockets (e.g., forward capacity markets, GHG cap-and-trade, tradable Renewable Energy Certificates (RECs)) and by other entities (e.g., California Independent System Operator’s (CAISO) Market Redesign Technology Update (MRTU)). At present, the extent to which generation resources will be procured via these market structures is uncertain, but we anticipate that as they are developed and implemented, the IOUs’ reliance on these structures to meet their procurement needs will increase and may require adjustments to (or replacement of) the methodologies being developed in this proceeding. One purpose of the 2008 LTPP is to provide the IOUs with clear direction and a set of expectations for the next round of plans, in the event that the LTPP continues to be a primary vehicle for acquiring new generation. It would be imprudent to assume at this time that other market structures will obviate the need for LTPP-authorized procurement and delay the timely development 2010 LTPP policy guidance. Finally, regardless of what the Commission decides on market mechanisms in other proceedings, the IOUs will still need a robust planning process to effectively implement various policy mandates for their bundled customers.

⁷ *Comments of the CMA on Preliminary Scoping Memo (R.08-02-007)*, filed March 17, 2008, at p. 10.

4. Standardized Resource Planning Practices, Assumptions & Analytical Techniques (Planning Standards)

Development of planning standards in this proceeding fulfills a need for clear direction from this Commission to the IOUs of how to “operationalize” the state’s loading order policy when constructing long-term plans, pursuant to AB 32 constraints. This need is amplified in the case of renewable energy, which can have challenging transmission and integration requirements, if the state is to position itself to increase the goal of the renewables portfolio standard (RPS) program from 20% of retail sales in 2010 to 33% of retail sales by 2020. The 33% renewables goal, originally set forth in the Energy Action Plan II, has become increasingly prominent in policy declarations at this Commission and other state agencies. For example, on June 26, 2008, the California Air Resource Board (CARB), the agency in charge of adopting rules for AB 32 implementation, released its draft scoping plan (discussion draft), which contained a 33% RPS goal among its preliminary recommendations for reducing California’s GHG emissions to below 1990 levels by 2020.⁸

Under AB 32, California’s electric system is transitioning rapidly towards a radically different paradigm of planning and procurement in which intermittent renewables, such as wind and solar, become a major driver for growth in energy supply, supported by capacity from flexible fossil-fired resources. This presents unprecedented challenges to maintain grid reliability and minimize rate impacts, while satisfying environmental goals.

⁸ CARB *Draft Scoping Plan: A Framework for Change, June 2008 Discussion Draft*, June 26, 2008, at p. ES-2.

The planning standards work in this proceeding fills a gap in planning for renewables identified in the 2006 LTPP planning cycle: In Decision (D.) 07-12-052, the decision adopting the most recent plans, the Commission stated:

The methodology established in the Scoping Memo for long-term renewable resource planning was not as robust as we believe is necessary for effective resource planning decisions; therefore we direct the IOUs to work with ED staff to refine this planning methodology. We anticipate methodology that employs an integrated portfolio approach.⁹

Since D.05-07-039, the Commission has stated its intent to integrate long-term planning for renewable resources into the LTPP proceeding. In D.07-12-052, the Commission directed the parties and the IOUs “to work with ED staff to refine a methodology for resource planning and analysis that will allow [the IOUs] to adequately address the issue of a 33% renewable target in subsequent LTPPs...We expect these sections to be much more robust in subsequent LTPPs and expect that parties will work to make RETI [Renewable Energy Transmission Initiative] useful in this regard.”¹⁰

The ED has been following the Commission’s direction to develop these planning standards in this proceeding in several ways. First, ED oversaw and facilitated a planning standards working group, comprised of the three large IOUs (PG&E, SCE, and SDG&E) and representatives from Joint Staff (ED and CEC staff), which produced a pre-workshop report on planning standards, authored by the three IOUs. At a May 21, 2008 workshop, the IOUs presented

⁹ D.07-12-052, at p. 76.

¹⁰ D.07-12-052, at p. 256.

and parties discussed the contents of this report, which represented the IOUs preliminary assessment of the nature and scope of planning standards that can or cannot be appropriately standardized.

Second, the ED has retained the services of a technical support consulting team, Aspen/Energy and Environmental Economics, Inc. (E3) (“Consultant”) to assist them in developing a Staff Proposal on Resource Planning Standards (Staff Proposal). The Consultant will produce two main deliverables that will inform the Staff Proposal: a Consultant’s Report on Resource Planning Best Practices and a Consultant’s Straw Proposal on Resource Planning Standards (Straw Proposal).

Third, the ED split the treatment of planning standards into two separate, but related planning standards tracks – scenarios and metrics, and assumptions and data – which will inform the Staff Proposal and feed into the Phase I decision.

Fourth, a third track – a 33% RPS Staff implementation analysis – was established to execute the Commission’s direction on the need for a 33% RPS planning methodology. Unlike the planning standards tracks, which will result in a Commission decision directing the IOUs’ overall planning methodology, this track will produce a staff 33% RPS implementation analysis that will inform (rather than direct) the IOUs own 33% RPS treatments in 2010 plans. The 33% RPS analysis is distinct from other analyses in that it plans to (a) leverage the most recent renewable resource cost and availability data produced by RETI and (b) include a project-level barrier analysis of the multiple risk factors that affect timely compliance with RPS goals.

As referenced above, there are a number of working groups that formed following the April 2, 2008 PHC/workshop to continue work and discussion on

the three main subjects: (1) scenarios and metrics; (2) assumptions and data; and (3) how the IOUs can achieve 33% renewables in their portfolios.¹¹ The purpose of the working groups is to inform ED and the Consultant on the drafting of a Consultant Straw Proposal and preparation of a staff 33% RPS implementation analysis. Workshops will then be held on the Consultant Straw Proposal for the purpose of informing the issuance of a Staff Proposal. When the Staff Proposal is filed, this will initiate the record on planning standards. Comments and reply comments will be solicited on the Staff Proposal. The Staff Proposal will then inform the proposed decision in Phase I of the proceeding. The preliminary schedule set forth below describes the important dates and stakeholder process milestones associated with the Staff Proposal.

Preliminary Schedule for Standardized Resource Planning Practices, Assumptions & Analytical Techniques	
Proceeding Milestone	Date
Workshop on Design of a 33% RPS Implementation Analysis	August 26, 2008
Workshop on Planning Standards: Scenarios and Metrics	August 28, 2008
Consultant's Report on Planning Standards Best Practices Released	September 8, 2008
Workshop on Consultant's Report Planning Standards Best Practices	September 16, 2008
Consultant's Straw Proposal on Planning Standards Released	October 16, 2008
Workshop on Consultant's Straw Proposal, Part 1	November 3, 2008
Workshop on Consultant's Straw Proposal, Part 2	November 4, 2008

¹¹ The current RPS program limits the Commission's authority to require IOUs to include RPS-eligible power generation at a level greater than 20% of retail sales. See Pub. Util. Code § 399.15(b)(1).

Preliminary Schedule for Standardized Resource Planning Practices, Assumptions & Analytical Techniques	
Proceeding Milestone	Date
ED files Staff Proposal on Planning Standards	December 1, 2008
Workshop on Staff Proposal	December 3, 2008
Comments on Staff Proposal Due	December 19, 2008
Reply Comments on Staff Proposal Due	December 30, 2008

5. Greenhouse Gas Uncertainty

At the July 10, 2008 workshop on GHG uncertainty, ED proposed, and parties agreed, that because this issue is perhaps the most important, yet uncertain, element planning standards will need to address, it should be subsumed within that effort and not considered a separate issue area. Therefore, this topic is merged into the planning standards issue.

6. GHG Programs Inventory

At the May 21, 2008 workshop on GHG program inventories, parties reviewed the IOUs initial inventories and the IOUs agreed to revise and distribute a second draft combining the inventories of the three IOUs into a single document. The second draft inventory was served on the service list on July 23, 2008, reflecting several changes suggested at the workshop. At the workshop, parties agreed to wait until the planning standards work progresses to determine if any further action is needed with regard to the GHG program inventories provided by the IOUs.

7. Quantifying EE in the Load Forecast

The ED, and its consultant, Itron, who assisted in the development of the recent EE goals decision, D.08-07-047, have been collaborating closely with the CEC and its staff to develop a Conceptual Work Plan to determine the amount of

the Commission's EE goals that are incremental to the CEC load forecast. The Commission filed comments in the CEC's 2008 IEPR docket expressing the Commission's intent to collaborate in the IEPR proceeding, devote the necessary resources to accomplishing our agencies' common objectives to sort out the issue, and reaffirm the Commission's position to not re-litigate load forecast issues in the LTPP proceeding. The Joint Staff work plan, concurred in by the IEPR Committee at an August 12, 2008 IEPR workshop, goes a long way towards sorting out this difficult issue.

8. Long-Term Firm Capacity Projections for Demand-Side Resources

The preliminary scope of R.08-02-007 included the question of what degree of certainty should be placed on achievement of demand-side resource policy goals, such as EE or demand response (DR). The issue of goal achievement certainty is to be addressed in the individual resource proceedings.

The EE goals proceeding, R.06-04-010, put this question to parties in the context of a Staff Recommendation to adopt Total Market Gross (TMG) goals. A ruling dated March 21, 2008 asked parties to comment regarding the level of certainty necessary for Commission procurement planning decisions. In D.08-07-047, the Commission acknowledged parties' concern that "there is some risk that 100% or more of the TMG goals may not be met."¹² The Commission stated that "the LT[P]Ps of each IOU must take this potential shortfall into consideration and weigh the level of uncertainty in full TMG goal attainment with the added cost to ratepayers for either over-procurement or emergency just

¹² D.08-07-047, at p. 24.

in time procurement of capacity.”¹³ Throughout their comments to the March 21, 2008 ruling,

parties were generally supportive of the concept of TMG goals being used both for CARB GHG regulatory purposes as well as for procurement planning. Only SDG&E in its June 11, 2008 comments stated that “[g]iven the Joint Utilities [San Diego Gas & Electric and Southern California Gas] concern regarding the accountability and potential reliability of realizing the service territory goals, the Joint Utilities recommend that only the utility specific goals be used . . .”¹⁴

The Commission concluded that “[b]ecause the thrust of this goal structure is to recognize that energy efficiency does not occur solely by utility programs, it is consistent to use TMG as the appropriate goal level for LTPP. We will require that 100% of the interim TMG goals adopted in this decision shall be used in future LTPP proceedings, unless superseded by subsequent goals.”¹⁵

With regard to DR, a recent decision adopting protocols for estimating DR load impacts found that the same methodologies are relevant for long-term planning. Ordering Paragraph (OP) #5 of D.08-04-050 states that “SCE, SDG&E[,] and PG&E shall use the adopted protocols to estimate DR load impacts for long-term procurement planning and resource adequacy purposes, unless otherwise directed by the ALJ or Assigned Commissioner in the relevant Commission proceeding.”¹⁶

¹³ *Id.*

¹⁴ *Id.*, at p. 26.

¹⁵ *Id.*

¹⁶ D.08-04-050, OP #5.

9. Customer Risk Preference Study and Risk Mitigation Guidelines

In the Preliminary Scoping Memo in the February 14, 2008, Rulemaking, we indicated that we would address two risk-related issues: the customer risk tolerance (CRT) study; and the review and modification of CRT and To Expiration Value at Risk metrics based upon what we learned in that study. We also noted that pursuant to D.07-06-013, PG&E was conducting a similar study about the risk preferences of its core gas customers and suggested that we might await the results of this study before launching the electric customer risk preference study. PG&E anticipates that the initial results will be available by November 2008 and a final report issued in March 2009.

On March 17, five parties commented on the risk-related issues addressed in the Preliminary Scoping Memo. PG&E and SDG&E agreed that it would be prudent to await the results of PG&E's core gas customer study before moving forward on the electric customer risk study, while DRA thought the study should be initiated at the earliest date possible. SCE and DRA thought it would be useful to convene a workshop to initiate dialogue to design and implement the study. DRA also asked the Commission to address climate risk in this study to comply with state laws AB 32 and Senate Bill 1368, which require the Commission to consider carbon risk.

On the other hand, CMA argues that the customer risk study appears to be in conflict with other Commission goals. If such a study supports the creation of a more stable, though pricier, portfolio, CMA asks how this outcome comports with the goal embraced elsewhere by the Commission of "dynamic pricing" (requiring customers to pay more for electricity at peak periods) to foster demand response, especially for larger customers.

First, we will await the results of PG&E's gas customer risk study. Then, we will conduct the electric customer risk preference study, beginning with a workshop to design the study. We will review preliminary lessons from the gas customer risk study, both in terms of customer risk and in terms of methodological approaches. Discussion topics may include: whether each utility should conduct its own risk study (this would dispose of some confidentiality concerns associated with this topic), or whether one study should be conducted statewide; and a preliminary design of the study.

Clearly, waiting for the PG&E gas risk study results pushes our electric customer study beyond the initial time frame anticipated for Phase I issues. We will try to complete the study and have results available in the Phase II time frame. Following the issuance of the electric study report, we will review our risk guidelines, either by convening a workshop, or by soliciting comments, or possibly with oral testimony. The timing of that review, and the designation of its procedural home, will be determined later.

CMA has raised an excellent question about the possible dissonance of Commission goals. We will give this issue its due consideration when we address the issue of setting appropriate risk mitigation guidelines later in the proceeding. We decline to accept DRA's recommendation to add climate risk to this particular study. We believe that doing so would burden the study with an excessively large scope.

10. MRTU Developments

As discussed in D.07-12-052, the Commission anticipates that some aspects of MRTU implementation may call for modifications of the IOUs' LTPPs or other regulated activities under Commission jurisdiction. For example, the three major IOUs have already sought and obtained initial authority to acquire Congestion

Revenue Rights (CRRs) in the fall of 2007.¹⁷ The Commission understands that ratepayers and LSEs may benefit from the development of more refined upfront procurement standards regarding acquisition of CRRs. Inversely, considering strategies for the acquisition of CRRs necessarily implies the development of strategies to determine when to liquidate CRRs already owned by an LSE.

It is as yet unclear exactly when the CAISO will be starting up MRTU. Regardless of whether MRTU is implemented in the fall of 2008 or sometime in 2009, parties will not gain substantial real life experience with CRRs prior to the expected resolution of Phase I of this proceeding. We expect that such experience will contribute to a more complete record with which to analyze the procurement quandaries related to CRR acquisition and retention, and how those questions should be addressed in the preparation and approval of IOU procurement plans over the long term.

We therefore direct the IOUs to file proposals for *interim* upfront and achievable standards regarding how they plan to acquire and retain CRRs, and otherwise comply with the strictures of Pub. Util. Code § 454.5 with respect to CRR ownership. Within these interim proposals, the parties should include discussion of the following:

- What types of existing analytical tools are currently available to inform such interim standards to be applied in the absence of real-life MRTU experience.

¹⁷ See e.g., Resolution E-4136, issued December 6, 2007, approving with criteria for implementation the request by SDG&E to amend its procurement plans to allow procurement of CRRs with potential expense to ratepayers. CRRs are a financial tool designed to hedge the variable transmission costs expected under MRTU, and are akin to the currently used Firm Transmission Rights.

- Whether existing tools are adequate to serve as an interim standard, or conversely whether new tools are called for.
- The advantages and/or disadvantages of varying degrees and types of CRR hedging strategies. For example, a comparison of the value of flexibility provided by ownership of short-term CRRs versus the security of owning long-term CRRs; advantages and/or disadvantages of position volume limits; benefits and/or detriments of overall CRR ownership volume limits.
- Methods for estimating increase/decrease to CRR values arising from changes in ordinary grid flows arising from changes in load, resources and transmission infrastructure, etc.
- Whether the utilities should use identical analytical tools, or whether there are reasons for using different analytical tools between the IOUs.
- How to incorporate real-life experiences with CRRs after MRTU startup, within such analysis prior to development of long-term standards.
- Other relevant questions that may weigh on these decisions.

Virtual Bidding

MRTU intends to include a new energy-related product market that will run in parallel to the energy markets: Virtual bidding (VB). VB is a market feature in which virtual bids for energy supply and demand are submitted in the Day-Ahead market. These VBs are not intended for actual consumption or delivery in real time. Proponents claim that VB improves market performance by increasing the number of competitors and bids in the Day-Ahead market, improving Day-Ahead and Real-Time price convergence, and reducing market

power. The Commission has recognized that ratepayers and LSEs may benefit from LSE participation in virtual or convergence bidding.¹⁸

IOU participation in VB would require modification of IOU procurement plans to include upfront and achievable standards for procurement of this new energy-related product.¹⁹ We therefore direct the IOUs to file proposals to establish upfront procurement rules and achievable standards regarding how they intend to participate in CAISO's VB markets subject to Commission review. Proposals should include discussion of the following:

- The benefits and/or risks of VB;
- Possible upfront standards for IOU participation in VB markets within the strictures of Pub. Util. Code § 454.5;
- Whether the IOUs should participate in VB markets;
- Percentage of the Day-Ahead market the IOUs should dedicate to VB;

¹⁸ D.07-12-052 at p. 263, fn. 283, which reads in part, "To the extent convergence bidding is implemented by the CAISO, it may be necessary and important for California's IOUs to participate and therefore, this Commission's procurement rules may need to be augmented."

¹⁹ Pub. Util. Code, § 454.5(b)(1) requires that the Commission's jurisdictional utilities include in their procurement plans "[a]n assessment of the price risk associated with the electrical corporations portfolio, including . . . purchases under which an electrical corporation will procure electricity, . . . and electricity-related products and the remaining open position to be served by spot market transactions." Such procurement plans must also include "[a] definition of each electricity product, electricity-related product, and procurement related financial product, including support and justification for the product type and amount to be procured under the plan[;]" and "[t]he duration, timing, and range of quantities of each product to be procured." (Pub. Util. Code § 454.5(2) and (4).)

- Whether IOU speculation in VB markets may help/harm ratepayers;
- What upfront risk analysis may prevent undue speculation by IOUs;
- Whether IOU participation in VB may result in higher Locational Marginal Prices for energy;
- Impacts IOU VB participation may have on CRR hedging activities;
- Tools and framework needed by the IOUs to measure and analyze overall portfolio risk management as well as risks from participating in VB market;
- Whether the IOUs prefer monthly, quarterly or bi-annual or any other time interval for periodic Commission review and approval of the IOU position on VB and why;
- What market power and manipulation issues result from IOU participation in the CAISO VB market;
- Other issues that are relevant and need to be addressed by the IOUs in their VB proposals; and
- Additional MRTU-related concerns relevant to Commission proceedings and/or programs.

We do not seek comments on fundamental MRTU market design principles. Rather, we seek input as to whether and where state laws or the Commission's decisions would require modifications to its procurement programs or further modifications to IOU procurement plans because of the implementation of new market features and energy-related products. For example, the Commission seeks input regarding whether MRTU implementation as currently envisioned may inadvertently impede other Commission programs and/or policies, such as California's choice to seek to increase reliance upon energy efficiency, demand response and renewable resources rather than relying

primarily on traditional generation resources. Such input could include discussion of the appropriate forum for resolution of such conflicts.

We propose the following preliminary schedule to address these issues:

Preliminary Schedule MRTU-Related Procurement Implementation Issues	
Proceeding Milestone	Date
IOUs file proposals on CRR/Virtual Bidding/additional MRTU concerns	October 3, 2008
Parties file comments on IOU proposals	October 24, 2008
IOUs file reply comments on IOU proposals	October 31, 2008
Commission workshops on issues identified in comments, as needed	November 2008

11. Working Groups

Participation in any working group is open to the entire service list and a schedule for all meetings should be served on the service list. However, the purpose of establishing working groups is to ensure broad representation of stakeholder perspectives, yet have an efficacious body that can adhere to tight deadlines and produce concrete, solutions-oriented deliverables. Once a working group is constituted, the group may arrange meetings independently of the ED staff or the ALJ, but the meetings must still be noticed and be specific as to time and place for the meeting. Telephonic meetings are allowed and meetings may take place at a location convenient to the attendees. In addition, each working group meeting notice must contain appropriate contact information. The contact person for each working group is to keep the working group participation list informed of any schedule changes. Any party that is not an active participant of a working group, but wishes to be informed as to the

working groups' activities and schedule, should get in touch with the contact person.

12. Proceeding Schedule

This Rulemaking was initiated in February 2008 and a decision in Phase I is anticipated for spring 2009. Phase II issues are yet to be fully developed and scoped. In light of the magnitude of the scope and breadth of the issues to be covered in this phase of the proceeding, I anticipate that this proceeding will remain open beyond the 18-month period specified in Pub. Util. Code § 1701.5. However, it is our intent to resolve all relevant matters within 24 months of the date of the ACR/Scoping Memo for each phase. A final determination on the date by which all issues in this proceeding can be resolved will be made in a subsequent ruling.

13. Category of Proceeding

The initiating Rulemaking made a preliminary determination that this proceeding should be categorized as quasi-legislative since the focus of the proceeding is on refinements to the policies, practices and procedures underlying the LTPPs themselves and it is not anticipated that the final decision in either Phase I or Phase II will have any impact on rates. In addition, we preliminarily determined that evidentiary hearings (EHs) may not be necessary. Accordingly, this ruling determines that the proceeding is quasi-legislative and that EHs are not necessary. The final determination is subject to appeal as specified in Rule 7.6 of the Commission's Rules of Practice and Procedure (Rules).

14. Ex Parte Communications

This quasi-legislative proceeding does not have any *ex parte* restrictions or reporting requirements pursuant to Rule 8.2(a).

15. Final Oral Argument

Since no EHs are scheduled, no final oral argument is anticipated.

16. Presiding Officer

Since no EHs are scheduled, no designation of presiding officer is necessary.

IT IS RULED that:

1. The scope of this proceeding is set forth in the foregoing discussion.
2. The timetable for this proceeding is set forth in this ruling, subject to any revisions made by the assigned Commissioner or Administrative Law Judge deemed necessary to facilitate the fair and efficient management of the proceeding.
3. This proceeding is categorized as quasi-legislative and evidentiary hearings are not anticipated to be necessary as set forth in the foregoing discussion. The ruling on category may be appealed, as provided in Rule 7.6.

Dated August 28, 2008, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated August 28, 2008, at San Francisco, California.

 /s/ KE HUANG

Ke Huang

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