



September 1, 2011

Ms. Julie Fitch
Director of the Energy Division
California Public Utilities Commission
Room 4004
505 Van Ness Avenue
San Francisco, California 94102

**RE: CAISO Market Redesign & Technology Upgrade Early 2011 Release and
Fall 2011 Release (Projects Operative through October 1, 2011)**

Dear Ms. Fitch:

In continuing compliance with Ordering Paragraph 2 of Resolution E-4093, PG&E hereby submits to the Energy Division, 30 days prior to the next CAISO major release with a go-live of October 1, 2011, its informational filing for amounts expected to be recorded in the MRTUMA for releases for which the CAISO or PG&E has identified a go-live date between May 1 and October 1, 2011. These releases are described beginning on page two of this informational letter.

**MRTU Early 2011 Releases – Projects Operative June - 2011
To be Included in PG&E's 2011 ERRA Compliance, To be Filed in February 2012¹**

Convergence Bidding- CAISO go-live: February 1, 2011

Convergence bidding is a mechanism whereby market participants can make financial sales (or purchases) of energy in the Day Ahead market, with the explicit requirement to buy back (or sell back) that energy in the Real Time Market. The functionality associated with Convergence Bidding has been deployed into the PG&E systems and became operative in June 2011.

**MRTU Summer and Fall 2011 Releases – Projects Operative May – November
2011
To be Included in PG&E's 2011 ERRA Compliance, To be Filed in February 2012**

Proxy Demand Resources Phase 1c – PG&E go-live: July 5, 2011

Proxy Demand Resources (PDR) was included in PG&E's March 1, 2010 informational letter with a CAISO go-live date of May 1, 2010. Following that

¹ PG&E has been directed to re-file its 2010 MRTU application (originally A.11-02-011) as a new consolidated application with the other utilities. Implications on future cost recovery proceedings, specifically whether MRTU will remain part of ERRA Compliance filings in the future, is unclear at present.

letter, the CAISO updated its expected go-live date to August 10, 2010, which was reflected in PG&E's September 1, 2010 informational letter. As described in the September 1 letter, PG&E will be implementing the PDR Release in two phases. Phase 1 covers the scenario in which PG&E is the Demand Response Provider (DRP) and the product is Day-Ahead Energy. Subsequent to the September 1 letter, PG&E further refined the approach for PDR Phase 1 to include three Releases – Release 1a (Registration & Set-up), Release 1b (Bidding and Settlements), and Release 1c (Remaining Functionality). Release 1a went operative in September 2010 and was included in PG&E's 2010 ERRR Compliance filing to the CPUC (A.11-02-011). The second and third releases, Release 1b and Release 1c, became operative in July 2011. Combined, these Phase 1 releases include the additional functionality needed to bid the PDR resources into the CAISO market and are the subject of this informational letter. Future enhancements to the PDR functionality, scheduled to begin in 2012, will include support for Real-Time Energy products and support for external Demand Response Providers.

Market Design and Monitoring Data Store – PG&E go-live: May 25, 2011

The Market Design & Monitoring (MDM) Data Store is a database system designed to provide data to support market analysis and market modeling functions. This functionality was deployed and went operative in May 2011.

CAISO Fall 2011 Release – Reliability Demand Response Product, Grouping Constraints and 72 Hour RUC – CAISO go-live October – November 2011

CAISO is implementing a number of initiatives as part of the Fall 2011 release. Given that the impact to the PG&E systems is relatively small for these particular initiatives, the cost for these are being grouped into a combined Fall 2011 Release.

Reliability Demand Response Product (RDRP) is a wholesale demand response product that enables emergency responsive demand response resources to integrate into the CAISO market. PG&E is only participating in the market simulation for this initiative through October, but is not planning to fully implement RDRP until a later date. At this time, PG&E has not made any system modifications for RDRP. The cost associated with these changes will come at a later time and will be tracked similar to other MRTU-related expenditures.

Grouping Constraints will provide improved modeling of the operational constraints of Pump Storage resources, and also enforce minimum time delays between successive startups or shutdowns of other generating resources. PG&E is participating in the market simulation for this initiative, and plans to go-live with the CAISO in October 2011.

72 Hour Residual Unit Commitment (RUC) will extend the RUC commitment process from the current 24 hours to a configurable default 72-hour period to

take into account the characteristics of long start generating units. PG&E is participating in the market simulation for this initiative. CAISO has moved the go-live for 72 Hour RUC to November 2011. PG&E plans to go-live with the CAISO in November 2011.

MRTU costs expected to be incurred and included in the MRTUMA as a result of the above releases represent incremental costs that are above and beyond (1) what has been approved and included in rates as a result of PG&E's 2011 General Rate Case (GRC), and (2) what has been approved and included in rates in PG&E's 2009-2011 Demand Response Program Application.

CAISO will be implementing additional market changes in 2011 and 2012. Incremental MRTU costs related to the CAISO's next release of market enhancements are not included in this informational filing. Any costs arising from PG&E's efforts to comply with those releases will be presented to the Energy Division in an informational letter 30 days prior to the go-live of each major release before being incorporated into a future cost recovery filing, subject to Commission review.

Table 1 below represents both PG&E's actual recorded and estimated (where known) incremental project capital and expense costs related to the Releases described above. These releases are expected to, or have become, operative in 2011 and therefore will be presented to the Commission in PG&E's 2011 ERRR Compliance proceeding for reasonableness review, to be filed in February 2012.²

Also included in Table 1 below are actual recorded business expenses from January 2011 to July 2011 (the most current recorded month as of the date of this letter). The business expenses represent MRTU costs related to PG&E's Demand Response department, and Information Systems Technology Services organization for on-going maintenance costs related to systems that have already gone operative.

The estimated costs presented in Table 1 may change by the time PG&E's application is filed. In the application, PG&E will provide justification that the entries to the MRTUMA are incremental and can be verified.

² As discussed in Footnote 1, it is unclear at this time whether MRTU will remain part of ERRR Compliance filings in the future. This language will be updated in subsequent letters as more direction is given on the appropriate proceeding for future MRTU cost recovery.

**TABLE 1
MRTU MAP PHASE RELEASES
OPERATIVE IN 2011
INCREMENTAL COSTS
(IN THOUSANDS OF DOLLARS)**

Year	2010	2011	Total
Early 2011 Capital Expenditures¹			
Convergence Bidding	1,100	800	1,900
Early 2011 Project Expenses			
Convergence Bidding	-	-	-
Summer 2011 Capital Expenditures¹			
Proxy Demand Resource (PDR) Phase 1 Release 1b and Release 1c	4,000	5,500	9,500
Market Design and Monitoring Data Store	165	950	1,115
Spring 2011 Project Expenses			
Proxy Demand Resource (PDR) Phase 1 Release 1b and Release 1c	-	-	-
Market Design and Monitoring Data Store	75	10	85
Fall 2011 Capital Expenditures¹			
Reliability Demand Response Product (RDPR); Grouping Constraints; 72-Hour Residual Unit Commitment (RUC)	-	350	350
Fall 2011 Project Expenses			
Reliability Demand Response Product (RDPR); Grouping Constraints; 72-Hour Residual Unit Commitment (RUC)	-	-	-
2011 Recorded Business Expenses ²	-	176	176
Total Incremental MAP Costs to be included in PG&E's 2011 ERRR Compliance proceeding³	5,340	7,786	13,126

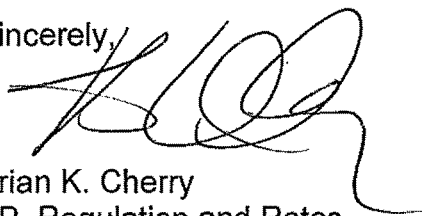
¹ Capital Expenditures are translated into annual revenue requirements and recorded to the MRTUMA beginning on the operative date of the project.

² 2011 Recorded Business Expenses reflect actual costs for the period January 2011 through July 2011, the latest available recorded month as of the date of this letter.

³ Interest is not presented in Table 1; however, interest is recorded to the MRTUMA in accordance with Preliminary Statement Part EP, paragraph 5.a.3.

Should you have any questions regarding this informational filing, please contact Sujata Pagedar at (415) 973-9801 or sxpg@pge.com.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Cherry", with a long horizontal flourish extending to the right.

Brian K. Cherry
VP, Regulation and Rates

cc: Eric Greene – Energy Division