BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans	R.12-03-014 (Filed March 22, 2012)

TRACK III COMMENTS OF THE WESTERN POWER TRADING FORUM

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In accordance with the directives provided in the March 21, 2013, Administrative Law Judge's Ruling Seeking Comment on Track III Rules Issues ("Ruling"), the Western Power Trading Forum[1] ("WPTF") respectfully submits the following comments on Track III issues. Opening comments were originally specified to be due on April 12, 2013. However, by email ruling issued on March 28, 2013, Administrative Law Judge David Gamson granted the unopposed request of the Division of Ratepayer Advocates to change the comment dates for Track III Rules issues so that opening comments are due on April 26, 2013 and reply comments on May 10, 2013.

I. Comments on Track III issues

The Ruling directed that parties could file comments on a series of Track III issues. In the following, WPTF responds to some, but not all of the questions. As a result, the numbering below is not sequential. However, we reserve the right to address other issues in the reply comments that are due on May 10, 2013.

[1] WPTF is a California non-profit, mutual benefit corporation. It is a broadly based membership organization dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

1. **Maximum and minimum limits on IOU forward purchasing of energy, capacity, fuel, and hedges**

   a. **Should the Commission modify the Assembly Bill (AB) 57 bundled procurement guidelines to indicate minimum and maximum limits for which the three IOUs must procure for future years? If so, should these minimum and maximum limits address energy, system resource adequacy (RA), local RA, and/or flexibility?**

The issue of forward market procurement requirements needs to be addressed both here and in the Resource Adequacy ("RA") docket, R.11-10-023. In comments filed earlier this month in that proceeding,[2] WPTF noted that the implementation of multi-year forward capacity obligation and a centralized capacity market is slated for discussion, and, WPTF hopes, implementation. WPTF supports both the implementation of a multi-year forward capacity obligation for all load-serving entities ("LSEs") and the implementation of a centralized capacity market. While implementation of both may not occur at precisely the same time, the Commission should acknowledge that the two policy initiatives should be inextricably linked.

If and when flexible capacity requirements are added to the RA program, the need for a centrally administered capacity clearing market will be even more critical to ensure that all LSEs, especially Electric Service Providers ("ESPs") and Community Choice Aggregators ("CCAs") can manage their RA obligations. Until such time as energy and ancillary services prices appropriately reflect scarcity value and demand response provides effective market discipline, a properly designed capacity market is necessary to retain needed capacity resources and send the appropriate price signals for new investment. It makes sense to have a centralized market administered by the CAISO that clears the capacity requirements and ensures

[2] *Comments of the Western Power Trading Forum in Regard to Flexible Capacity Procurement Issues*, dated April 5, 2013.

procurement of the aggregate requirements, and allows market participants to adjust and reconfigure their RA holdings as the actual time of delivery approaches.

b. How may the Commission best balance issues regarding departing load in any future requirements for procurement?

This is another area where there has been a lack of clarity with regard to Commission directives. The Commission should make it explicitly clear that the IOUs are to plan for reasonable amounts of departing load and then only procure for the assumed amounts of retained bundled load. When the IOUs are allowed to forecast their load as though departed load has not departed or may come back, this leads to over-procurement and unnecessary stranded costs that burden all ratepayers. While absolute precision in forecasting cannot be expected, the IOUs should at least be required to make a good faith effort to forecast reasonable amounts of departing load, and their ability to recover stranded costs from retail choice customers should be based only on the delta between their forecasted departed load and the actual level of departed load. In other words, if the utilities end up serving more or less load than they forecasted due to the fact that their estimates of departed load proved wrong, then there is a potential stranded cost (or benefit) that should be calculated and allocated out to the departed load.

2. Impacts of transparency on forward procurement

a. Should the Commission require the three major electric IOUs to provide more public transparency into the levels of future procurement for which each has entered into a contract? What confidentiality rules could be changed or removed? In particular how can IOUs provide visibility to the California Independent System Operator (CAISO) regarding their midterm procurement contracts?

WPTF concurs that greater transparency is needed with regard to the levels of future procurement for which each IOU has entered into contracts. Doing so will provide clearer signals to the market with regard to future planning and will enable prospective suppliers to better focus their future bid activities. The bane of generators and suppliers is uncertainty;

uncertainty about demand; uncertainty about what products are desired; uncertainty about utility contract terms, etc. To the extent there can be greater transparency with regard to existing contracts, the market is more likely to respond to future competitive Requests For Offers ("RFOs") with more sharply focused products and more competitive pricing. However, transparency cannot be limited solely to existing utility contracts. It is also sorely needed with respect to bid criteria for RFOs.

The importance of the IOUs conducting robust RFOs with transparent criteria before bids are received cannot be over-emphasized. In order for bidders to make the most price-competitive bids, the criteria for bid evaluation need to be completely clear and transparent. When bidders know in advance the metrics that will be utilized by the IOU in evaluating the bids – from local reliability effectiveness to more efficient generation with the right operating attributes and environmental characteristics, then bids will be more efficient and responsive and the most cost effective resources will be selected. To the contrary, when bid evaluation criteria are hidden or unknown, or if the bid solicitation is so imprecise that bids are not readily comparable one to another, the ability for bidders to structure their offerings is compromised with the result, of course, that a bidder who may have been able to offer an extremely responsive and price competitive bid fails to do so.

This sort of bid and RFO inefficiency has a very direct effect on pricing, of course. When suppliers have to guess or assume what an IOU wants, that uncertainty gets factored into their bids. Uncertainty equates to higher prices as a general rule. Conversely, when the bid requirements and evaluation criteria are transparent, the RFOs become focused on price, with the lowest price suppliers being successful. This of course benefits ratepayers who receive lower prices that benefit them in particular and the state's economy in general.

Bid transparency has a second benefit beyond lower prices. Namely when accurate effectiveness factors of generation in reducing local area reliability constraints are clearly identified in the RFO, the procurement of the most effective generation will result in a lower amount of generation being needed. Procuring the least amount of effective generation supports the Commission's desire to allocate procurement dollars to other advancements in the Loading Order.

In this regard, however, it will also be important for the Commission to be strict with regard to bid re-openings. All too often, we have seen successful bidders return to the well for a "drink" of higher prices because their original bid is no longer profitable. There has to be a high degree of inflexibility in this regard, or bidders will simply lowball their offers in order to make it onto a shortlist and hopefully get selected. When this selection is followed some time down the road by a request for a reopener, and the reopener request includes modification to the pricing or contract duration of the original offer, it raises questions as to whether the original bid was genuinely credible or whether a subsequent reopener request was part of the original bid strategy.

WPTF does not support a complete ban on any contract modifications. Major modifications that trigger a price re-opener are very problematic, but WPTF recognizes that there may be legitimate reasons for contract amendments, including technical changes in the project's site or its point of interconnection that do not affect the underlying economics or ratepayer risk and therefore should be allowed without the need to request Commission approval through an advice letter or stand-alone application. WPTF is also open to the possibility that certain technology changes could be allowed without the need to subject the contract to a high level of scrutiny. In this regard, WPTF believes that the Commission should further explore the

possibility of distinguishing between major changes that materially impact price, commercial online date, product, or overall cost exposure borne by the utility on the one hand, and minor changes within the same technology class that reflect technological improvements on the other hand.[3]

b. How can bids and offers into request for offers (RFOs) be released publically? What other information could be released?

Winning bid/offer information could be released five years after the fact on an anonymous basis that conceals the identification of the successful bidders. Doing so would cause the information release to be past the last successful RFO, would allow the winning bidder to manage all of its hedging activity and would provide the market with information that will enable other bidders to better understand what they must do in order to be successful in future RFOs. This will likely lead to greater price competition among bidders, because bidders who lost would know by how much they lost. Another benefit would be that load would know what new costs are coming their way.

Undoubtedly, there will be those that will argue that this will encourage bidders to focus their bids at the level of the successful marginal bid and that bidders who bid lower will raise future bids to that level. The converse, however, is more likely. As a general rule, in any RFO, the number of unsuccessful bidders outnumbers the successful ones. Unsuccessful bidders will learn what they must do to "sharpen their pencils" to be more successful in the future. The net result is that releasing the winning bid information on an anonymous basis is more likely to reduce bids in future RFOs as unsuccessful bidders endeavor to be more competitive.

[3] For a more complete discussion of this issue, refer to WPTF's November 20, 2012 opening comments in R.11-05-005 with regard to Commissioner Ferron's Ruling at pp. 7-8 and its December 12, 2012 reply comments at p. 9.

3. Long-term contract solicitation rules

a. Should the Commission adopt a rule that explicitly indicates that existing power plants may bid upgrades or repowers into new-generation RFOs?

Yes. Upgrades and repowers should be allowed to compete, just as any other way of meeting the RFO issuer's need should be permitted to participate. However, WPTF opposes the underlying implicit concept in the question that suggests that the utilities should conduct "new generation" RFOs. Rather, utilities should be required to issue RFOs for a need, whether that need is capacity, energy, ramping capability, location or a combination of some or all of these products. Any entity that can meet the need(s), as specified, should be allowed to bid. There may very well be needs that are highly unlikely to be met in any other way than by new generation, but this should never be pre-judged. In summary, WPTF favors the elimination of any form of discrimination between new and existing resources in long-term solicitations. Rather than seeking new ways to differentiate different vintages and types of resources, e.g., distinguishing between repowers/upgrades, unmodified existing resources, and green field development, the Commission should open long-term solicitations to all resources and types of suppliers, including those who may not even own or control physical resources. The Commission should focus on creating robust RFO metrics that define the needs properly such as capacity, energy, ramping capability, and location instead of predetermining the resources that can bid into the RFO. Only when the correct metrics are in place can the Commission properly assess the value of upgrades or repowers versus other resources.

i. How should the existing and upgraded components of the repowers be valued differently in an RFO? How can additions such as energy storage be added to existing facilities and be valued against other types of offers?

This question confuses need with the method of meeting the need. WPTF believes that repowers should not be valued "differently." Rather, a proposal that includes repowers should be evaluated as to whether or not the proposal does or does not meet the technical needs, as described in the RFO. The same principle should apply with regard to energy storage offers. Depending on the need set out in the RFO, creative suppliers might find many ways to use individual resources, or a combination of resources, or non-resource-specific options to meet that need. The evaluation should only assess whether or not the proposal does indeed meet the technical requirements set out in the solicitation. Whether the proposal includes new resources, repowers, upgrades, storage, or any other method of meeting the need should otherwise be irrelevant.

ii. Should contracts for repowering or upgrading of facilities be restricted to the same length of contracts as new facilities? If not, please explain why there would be different contract lengths or different terms, and how these differences would be reflected in the valuation of the bids.

As discussed in prior answers, WPTF does not support narrowly contracting for new resources, repowerings or upgrades specifically. That said, we do strongly support the principle that new, repowering and upgrade proposals be treated indiscriminately. So, technically, our answer is "Yes." However, generally, the Commission can provide clarity by defining contract minimum and maximum terms so that projects can bid in at varying terms with different price structures.

v. How would bilateral negotiations for upgraded or repowered facilities be reviewed?

As a general rule, WPTF would object to "one-off" bilateral contracts that are untested by a competitive RFO. Rather everything should be allowed to participate in an RFO and all procurement should be done through RFOs. The Commission should first rely on a robust

competitive process and if, after a failed procurement, a necessity for bilateral contracts is created, then the same robust metrics developed as suggested above should be applied.

4. Specification of the rules that, if followed, would allow the IOUs to execute bundled procurement contracts without additional review by the Commission.

a. Please comment on the following potential new or modified rules to ensure competitive bundled procurement transactions:

ii. Any bilateral contract for a facility that did not make the shortlist of an RFO or an offer that has subsequently been negotiating with the utility for longer than six months since making the shortlist of an RFO must seek Commission approval through a tier III advice letter or application.

WPTF reiterates its comments in the response to Question 3.v. above that the Commission should be reluctant to approve bilateral contracts that are untested through a competitive solicitation.

b. What rules are needed to determine whether an IOU transaction is reasonable and therefore does not require additional review and Commission action?

The simplest test of reasonableness is to conduct a competitive solicitation. By definition, a robust competitive RFO should result in reasonable IOU transactions. It is when the Commission considers one-off bilateral transactions or utility "unique fleeting opportunities ("UFOs") that reasonableness becomes suspect and ratepayer safeguards get ignored.

5. Changes to the Commission's adopted Cost Allocation Mechanism (CAM) per Senate Bill (SB) 695, SB 790, Decision 11-05-005 and relevant previous decisions.

In a series of CAM-related decisions,[4] the Commission has blurred the distinction between procurement that benefits all end-users for resource adequacy purposes and procurement that is needed to meet the demand of investor-owned utility ("IOU") bundled

[4] *See*, D.07-09-044, D.08-09-012, D.11-05-005.

service customer load. As a result, when existing contracts that have served bundled customer load expire, the IOUs are increasingly characterizing replacement contracts as being needed for system or local reliability and therefore eligible for Cost Allocation Mechanism ("CAM") treatment that requires all load in the IOU footprint (except for certain instances of municipal departing load) to pay the net capacity costs, This trend toward increasing CAM has several effects that are deleterious to the electricity market. First, allowing the IOUs to lay off their procurement and its costs onto the customers of their competitors,– customers who neither want or need utility supply service – hampers the ability of their Community Choice Aggregator ("CCA") and Electric Service Provider ("ESP") suppliers to build their own supply portfolios that meet their customer needs. This undercuts the development of a more competitive wholesale market that has multiple sellers AND BUYERS, and destabilizes retail competition in California. Secondly, this forced acceptance of utility procurement into their portfolios leads to improper subsidization by CCA and direct access ("DA") customers of bundled service customers. This is contrary to the Commission's historical commitment to rates based on principles of cost causation.

This background is directly relevant to the question asked above as to whether the Commission should modify the Assembly Bill ("AB") 57 bundled procurement guidelines to indicate minimum and maximum limits for which the three IOUs must procure for future years. WPTF recommends that the IOUs' procurement to serve their bundled load should be linked specifically to each IOU's forecasted bundled load over a reasonable time period such as three to five years. In no event, should the resources used to meet the bundled load requirements be afforded CAM treatment. The Commission should also direct minimum and maximum limits as to the IOUs' procurement that addresses not only energy, but also system and local RA for each

IOU's bundled load, and again, the portion of any committed resources that are used to serve bundled load should not be afforded CAM treatment.

a. Is the CAM currently implemented in a manner that is sufficiently transparent or least cost?

No, the implementation of CAM has to date been woefully incomplete. SB 695 specifically requires that CAM is to be used for IOU procurement that meets a reliability need that benefits all customers. This is two pronged test: Does a resource meet a reliability need and will the procurement benefit all load in the footprint? For load in an IOU footprint that is not served by the IOU, there must be some limit to the benefit that accrues to that load from utility procurement. Establishing these limits should be a high priority for this proceeding, and must begin by developing clear directives that (i) distinguish between system and bundled resource needs, (ii) eliminate any CAM treatment for resources that are being used to meet bundled load requirements, and (iii) establish a clear test to determine "who benefits" (and who does not benefit) from reliability procurement. WPTF believes that it should not be left to utility discretion to determine whether the CAM cost recovery mechanism applies. Rather, stakeholders should be provided a meaningful opportunity to review and provide input regarding the criteria that should apply. The issues identified here need to be directly addressed, and this LTPP cycle is the venue in which to do that.

CAM issues are important to competitive suppliers for several reasons. First, their procurement decisions are directly affected by the allocation of capacity that results from CAM. In short, CAM is "on-behalf of procurement" that takes procurement decisions out of the hands of the competitive suppliers and the customers they serve, increasing their costs, and eliminating the very flexibility they sought by going to DA and/or CCA in the first place – i.e., the flexibility to avoid the high cost and inefficiencies of utility procurement. Second, the current uncertainty

with regard to the precise terms of CAM eligibility; the processes for distinguishing between system and bundled resource needs and related cost allocation; and how to assess "who benefits" under SB 695 frustrates meaningful procurement planning for non-utility load-serving entities.

b. Should the Commission reform the CAM energy auctions? If so, how?

The Commission recently considered but deferred action on energy auction reforms. D.13-02-015 stated as follows:

> We have stated an openness to revisit the energy auction mechanism adopted in D.07-09-044. Toward that end, we appreciate the suggestions from parties in the current proceeding to consider improvements toward the current auction mechanism structure, including valuing net capacity costs. The record, however, fails to provide an adequate basis upon which to comprehensively consider and adopt any potential changes to the auction mechanism. We may consider taking a more focused look at these issues in the future.[5]

WPTF believes it to be necessary for the Commission to examine carefully how to value the energy component and the residual capacity costs, whether through an auction or otherwise. By ascribing too little value to the energy component, the IOU is able to layer more net capacity costs on its competitive CCA and ESP suppliers, resulting in an unnecessary and unfair cost shifting to retail choice customers.

It is important for the Commission to ensure that the full value of energy and other related products is netted from the contract price, as proposed by the Marin Energy Authority ("MEA"), Direct Access Customer Coalition ("DACC") and Alliance for Retail Energy Markets ("AReM") in the recent phase of this proceeding. MEA, DACC and AReM noted in its opening testimony that:

> This includes full accounting for the value of all potential ancillary services the plant could provide, flexible capacity attributes, renewable integration costs and the options value associated with a long-term tolling contract. In particular, the calculation of the value of products and services that the plant may provide must include expected revenues from all applicable ancillary services products in

[5] D.13-02-015, at p. 110,

> CAISO markets, the imputed value derived from the use of the plant for self-provision of ancillary services by the IOU (if applicable and then at the value of the CAISO products), and the revenues expected from any additional products that become available.[6]

The CAISO has a variety of ancillary services, including non-spinning reserves, an operating day-ahead and real-time market for regulation up, regulation down, and spinning reserves. All of these elements should be included in the proxy calculation, together with values for additional ancillary services products that may become available in the future. This is reasonable and appropriate and furthermore, the inclusion of all four currently-traded ancillary services would also serve to include renewable integration costs in the proxy calculation. It would also seem logical to account for the options value associated with a long-term tolling contract, as noted by MEA/DACC/AReM in their proposal.[7]

d. At what stage in procurement should procurement be deemed CAM eligible, and what criteria should govern Commission decision regarding CAM allocation?

As a basic rule, and as noted above, any procurement for which CAM treatment is being considered should address both prongs of the SB 695 criteria. First, it must clearly be for reliability purposes. Second, it must just as clearly benefit all parties. Otherwise, the CAM will be applied indiscriminately and the potential anticompetitive abuses mentioned above will be facilitated, to the detriment of retail competition in California.

It is patently counter-productive and discriminatory to have the second criterion satisfied by a vague reference to "everybody benefits so everyone should share in the cost." This approach to date has resulted in significant shares of costs that were incurred primarily for the benefit of bundled service customers being shifted to CCA and DA customers. If unchecked, this will lead to the elimination of both competitive options and return us to the Henry Ford-like

[6] MEA, DACC, AReM Opening Testimony, at p. 39.
[7] Id, at p. 42.

days of "you can have any color car so long as it is black"….and any kind of electric service, so long as it's IOU bundled service. Inevitably there will be increased opportunities for and occurrences of utility market power abuse and ratepayers will suffer as a result.

WPTF believes that resources should be evaluated for CAM eligibility on the basis of its primary purpose. That is, if the resource was added primarily to provide supply to bundled customers, then the tangential reliability improvement should not be sufficient to justify CAM treatment. This "primary purpose" test will not offer absolute precision. Nothing will. But it will be a definite improvement over the vague "everybody benefits" justifications that have been used to date to justify CAM treatment. Further, there is an urgent need for the Commission to develop specific criteria by which competitive suppliers are deemed to have met the reliability needs of the customers they are serving such that IOU procurement on their behalf is unnecessary and of no benefit to them – and therefore exempt from any CAM allocation of costs or net capacity.

f. Should the CAM rules be differentiated to best account for benefit and cost allocation among community-choice aggregators and electric-service providers, based on their different business models or portfolio of other contracts? If so, how?

The response to Question 2.d. above is applicable here. Rather than attempting to differentiate between CCAs and ESPs, the Commission should instead focus on establishing clear guidelines for when CAM is to be applied, a more detailed test for determining "who benefits" and criteria for determining when a CCA or ESP can demonstrate that it is fully resourced and thus exempt from CAM charges. Addressing these global issues makes far more sense than simply rearranging the deck chairs on the Titanic to reallocates costs among competitive market suppliers.

7. Refinements to the Independent Evaluator (IE) program

a. Please comment on the following proposal:

i. The rules for whom or which entity may qualify to be in the IE pool remain the same

ii. The IOUs may not limit the IE's interactions with the Commission, specifically in terms of nondisclosure agreements that restriction information sharing.

iii. IEs are positioned on particular assignments through a random selection process, removing IOU influence over which IE may be assigned

iv. IEs may remain in the selection pool for 10 years (rather than up to 6 years), subject to evaluation every 3 years (maintain current requirement for reassessment)

WPTF responds to each of these questions jointly. The proposal cited is clearly an improvement over the existing rules. WPTF agrees that refinement to Independent Evaluator ("IE") guidelines is an area for which procurement rule changes should be considered in this proceeding. The current rules for IE eligibility seem adequate for the intended purpose. However, it is most important that there be absolutely no constraints on the ability of IEs to communicate directly with Commission staff. Indeed, the thought that IEs are currently restricted in doing so by IOU confidentiality agreements is totally antithetical to the concept of an evaluator being independent. Similarly, a random selection process will act to avoid the establishment of too-cozy relationships between the IE and the IOU and thus more likely to omit making the sort of careful scrutiny that the public interest demands. However, in this regard, while the idea of selecting IEs through a random selection process is attractive, WPTF is not aware whether there are enough potential entities around who are qualified to function as IEs.

Of course, none of these proposals addresses the most fundamental problem with the IE process, the fact that they must account to the IOU whose procurement they are evaluating in order to be paid. The fact that the Commission has continually looked at this issue but failed to act is truly shocking and more than a little sad, as it indicates a willingness to continue to let the

so-called "independent" evaluator process to be anything but independent. Decision ("D.") 12-04-046 in fact provides that "A number of parties support the proposal to have the Commission's Energy Division, rather than the utilities, oversee the hiring and oversight of IEs."[8] It goes on to state:

> This issue was raised in our previous LTPP proceeding, and was addressed in D.07-12-052. In that decision, we stated: "At this time, it is not practical to transfer the IE contracting authority to the Commission; however, we will continue to explore ways in which to do so in the future." (*Id.* at 136.) Unfortunately, that appears to remain the case, as there do in fact seem to be practical and administrative hurdles to overcome. We agree that it would be preferable for IEs to be hired by and report to the Commission, rather than the utilities, and to the extent the barriers to doing so can be overcome in the future, we will consider this proposal again. We do not adopt any other of the proposed changes to the procurement rules at this time, but we may consider additional changes in future proceedings.[9]

WPTF suggests that time is now and the place is here, in this Track III. Put simply, there is "no time like the present" for considering this issue. It should be determined to be within scope and finally resolved rather than continually being punted to the next, unspecified proceeding.

II. Conclusion

WPTF believes that this Track III offers the Commission the opportunity to address a series of unaddressed and long overdue issues. Specifically, WPTF recommends that:

(a) The Commission should endorse the concept of a multi-year forward procurement requirement that should apply to all LSEs and enforced through a centralized capacity market administered by the CAISO;

(b) The Commission should make it explicitly clear that the IOUs are to plan for reasonable amounts of departing load and then only procure for the assumed amounts of retained bundled load;

[8] Decision on System Track I and Rules Track III of the Long-Term Procurement Plan Proceeding and Approving Settlement, at p. 67.
[9] Id, at p. 68 (emphasis added).

(c) In order for bidders to make the most price-competitive bids, the criteria for bid evaluation need to be completely clear and transparent;

(d) Winning bid/offer information should be released five years after the fact on an anonymous basis that conceals the identification of the successful bidders;

(e) Upgrades and repowers should be allowed to compete in RFOs;

(f) The utilities should not conduct "new generation" RFOs and should instead be required to issue RFOs for a need, whether that need is capacity, energy, ramping capability, location or a combination of some or all of these products, with any entity that can meet the need(s), as specified, allowed to bid;

(g) The Commission should focus on creating robust RFO metrics that define the needs properly such as capacity, energy, ramping capability, and location instead of predetermining the resources or types of suppliers that can bid into the RFO;

(h) The Commission should reject "one-off" bilateral contracts that are untested by a competitive RFO;

(i) All procurement should be done through RFOs;

(j) The IOUs' procurement to serve their bundled load should be linked specifically to each IOU's forecasted bundled load over a reasonable time period such as three to five years;

(k) In no event should the resources used to meet bundled load requirements be afforded CAM treatment;

(l) It is important for the Commission to ensure that the full value of energy and other related products is netted from the contract price achieved in CAM energy auctions;

(m) CAM procurement must clearly be for reliability purposes and just as clearly must benefit all parties;

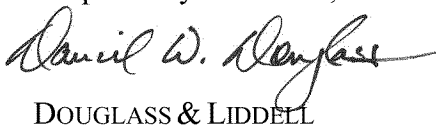
(n) Rather than attempting to differentiate between CCAs and ESPs, the Commission should instead focus on establishing clear guidelines for when CAM is to be applied, a more detailed test for determining "who benefits" and criteria for determining when a CCA or ESP can demonstrate that it is fully resourced and thus exempt from CAM charges;

(o) It is most important that there be absolutely no constraints on the ability of IEs to communicate directly with Commission staff; and

(p) The Commission's Energy Division, rather than the utilities, should oversee the hiring and oversight of IEs.

WPTF thanks the Commission for its attention to the discussion herein.

Respectfully submitted,



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