

Good afternoon Chairman Foster and Board of Governors

PG&E has been supportive of the CAISO's FRAC-MOO design and commends the CAISO on its 15-month stakeholder process. The rules establish a good platform to ensure adequate flexibility for the CAISO grid. However, PG&E asks the Board to consider three modifications to the proposed design.

**First**, the proposal currently does not allocate any of the flexibility requirement to variable energy resources that are located within the CAISO-footprint, but serve off-takers that are not a CAISO member. What this means is that CAISO load serving entities, like PG&E, will be footing the bill for the flexibility investments needed to firm up renewable resources under contract with a muni that is not a member of the CAISO. Unless this provision is changed, PG&E will be protesting this provision at FERC as being contrary to the cost-causation principle.

**Second**, the Board should encourage staff to modify its proposal to treat all types of storage equally. As it currently stands, the proposed counting treatment requires storage resources to be able to transition smoothly from charge to discharge as a condition for fully counting the resource's flexible capacity. This discriminates against certain technologies and has immediate and potentially long-lasting impact on the type of storage technologies that will develop and compete in meeting the 1300 MW storage targets adopted by the CPUC.

The proposal would favor battery and flywheel technologies and disadvantage the technologies that go through cycles like compressed air energy storage and small pumped hydro storage.

Furthermore, 900 MW of PG&E's Helm's pumped storage 'pumping' capability would not count towards the requirement; yet today, the CAISO relies heavily on Helm's pumping capabilities for reliability purposes and dealing with surplus generation. On average Helm pumps more than 85 days out of every 100 days. This CAISO proposal should be revisited to avoid such perverse outcomes.

**Finally**, the Board should direct the CAISO staff and CPUC to agree on a single set of rules to determine the effective flexible capacity used to determine how resources count towards meeting the requirement. Differences between the CAISO and CPUC counting could create unnecessary costs, confusion, and result in unexpected backstop allocations.

Thank you. I am happy to address any questions at this time.