



2020 Draft Policy Initiatives Catalog

Submitted by	Organization	Date Submitted
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PG&E appreciates the opportunity to comment on the 2020 draft Policy Initiatives Catalog and supports the CAISO's general policy direction driven by California's policy goals, CAISO's desire to expand into EIM and the need to maintain a competitive market.

The CAISO should prioritize initiatives that support a) reliability of the bulk electric system and b) a fair and competitive market (resulting in just and reasonable rates paid by consumers). CAISO should prioritize initiatives that show a high cost/benefit ratio and can be implemented in a timely fashion. PG&E recommends the CAISO prioritize:

1. System Market Power Mitigation (MPM)

PG&E would like to continue echoing its strong support for the CAISO to prioritize launching an initiative to address system market power. In its 2019 Policy Initiative Roadmap, the CAISO indicated that it would start such initiative, but no action has yet been taken. As the Department of Market Monitoring (DMM) noted in its 2018 Q3 Report on Market Issues and Performance, analysis of 2017 and 2018 energy market prices revealed a lack of competition during the high-load hours and hours with constrained supply. PG&E agrees with the DMM's assessment that the problem has the potential to get even worse. If high energy prices are a sign of a lack of competition in the market, PG&E thinks applying a system market power mitigation process when supply is constrained is an appropriate and necessary measure to take to ensure competitive outcomes and limit gaming of the market.

2. Resource Adequacy (RA) - Outage Management

PG&E and other stakeholders raised several issues related to how RA is treated within the Outage Management process during recent reviews of the BPM (*i.e.*, PRRs 1074 and 1122). While PG&E appreciates CAISO's clarification on RAAIM exemptions for transmission-induced outages, there are still many problems with the current process that require review and revision; for example:

- Uncertainty of outage viability until near real-time

- Rejected outages due to lack of RA substitution for resources like solar at night or hydro with no water behind it
- Misalignment of the outage management RA check with other processes, *e.g.*, a ten-day outage could be cancelled on the second day due to a limited RA look-ahead
- Replacement requirements that exceed the need: RA replacement is being required in quantities that exceed the RA requirements and are not needed during the time period of the outage to reliably operate the system.

CAISO needs to re-evaluate how RA is used in the outage management process and whether a monthly RA requirement is the best metric by which to judge the reliability risk of an outage. We believe CAISO's systems are treating RA showing requirements as default operating reserve requirements, requiring the LSE to replace in all hours.

The uncertainty and inadequacy of the process is affecting PG&E's ability to do transmission maintenance work and is creating an unnecessarily tight RA market due to substitution risks. These issues cannot wait to be addressed in 2020 as they represent both a real long-term reliability risk for PG&E and other asset owners and a financial risk for LSEs. Therefore, we urge CAISO to prioritize this issue in 2019.

3. RMR & CPM Enhancements

PG&E acknowledges that the RMR & CPM Enhancement initiative is ongoing and that there are still difficult issues to resolve. The CAISO has acknowledged that the CPM soft-offer cap needs to be re-evaluated. The level of the soft-offer cap directly affects the willingness of resource owners to accept the CPM designation or enter into the retirement process with the intent of obtaining cost of service compensation via an RMR designation. Additionally the CAISO should consider a market power test to assess the impacts even when reliability is not violated and should consider a market power test for resources being procured via CPM backstop procurement authority. Delaying either of these initiatives will increase costs for California customers and increase the possibility of additional market distortions. PG&E requests that this be remedied to address any resources making retirement decisions and considering the opportunity to arbitrage the backstop procurement mechanisms.

The CAISO should bring a sense of focus to the Annual Policy Catalog and Roadmap process by providing more rigor around initiative prioritization.

The CAISO's annual Policy Catalog and Roadmap stakeholder process is an important effort that shares a listing of initiatives. This initiative listing and associated categorization is then used by stakeholders to anticipate resourcing decisions in both policy and implementation work flows. While PG&E understands that priorities can change, the CAISO should understand that decisions to descope implementation efforts or "pause" a stakeholder initiative, while potentially the right decision at a point in time, represents a suboptimal outcome that impacts stakeholders. The current categorization does not provide a sense of prioritization. Developing and sharing a more robust initiative prioritization process will allow the CAISO and all stakeholders to be more efficient and achieve more together.

The CAISO should take steps to strengthen the coordination between policy development and policy implementation.

Strengthening the linkage between policy development and implementation is an exercise in communication and will lead to many benefits, specifically improved resource and time allocation, more feasible policy design and on-schedule IT rollouts. Involving the appropriate implementation teams at the CAISO in policy development will help inform implementation prioritization as well as policy design. Involving a Policy Lead in implementation discussions will minimize last minute descoping and assist policy teams in developing more feasible and potentially more cost-effective policy solutions.

Ultimately, strengthening the collaboration and coordination between policy and implementation at the CAISO will make the CAISO more effective, benefiting all stakeholders. PG&E kindly suggests the CAISO explore the below ideas:

- Develop a set of implementation metrics within policy proposals for Board of Governor approval, which could share information like operational and financial impact, forecasted completion date, dependencies to completion, and risks associated with non-completion
- Refresh and provide quarterly updates to the Policy Roadmap which will improve communication and transparency within the CAISO and with all stakeholders (e.g. SATA is not “underway”)