



Comments of Pacific Gas & Electric Company

Reliability Services Initiative Phase 2 – Working Group

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Reliability Services Initiative Phase 2 (RSI2) Working Group.

PG&E appreciates the CAISO recognizing the unintended consequences of establishing a tariff violation associated with a listed local Resource Adequacy (RA) deficiency, and agreeing to not implement such a measure at this time without a significant discussion of the possible spillover effects. PG&E supports the CAISO's stated decision to monitor listed local deficiencies for frequency, magnitude, and potential cost implications of an LSE's deficiency. The ISO has stated that it will assess appropriate future action, such as contacting the relevant LRA and/or conducting a new stakeholder process to determine if additional tariff provisions are necessary.¹ PG&E agrees that these actions are appropriate actions to take in light of the CAISO identifying enhancements needed with the RA program given the changes to the industry.

1. PG&E asks the CAISO to clarify in the tariff the actions it will take in the case of a listed local RA deficiency. As PG&E understands it, in the case of a listed local RA deficiency, CAISO will contact the relevant Local Regulatory Authority if an LSE does not provide an amount of listed local RA that is equal or greater than the LSE's local RA requirement.

PG&E requests this statement for two reasons:

- 1) With an explicit statement that the CAISO will solely take the action of contacting the relevant Local Regulatory Authority, the CAISO will be making clear that it will not seek a tariff violation after FERC approval of the RSI2 tariff filing. Therefore, the current promise for a stakeholder process to address market design issues if the CAISO determines a need to begin enforcing the listed local Requirement cannot be circumvented.
- 2) Throughout the stakeholder process, there has been significant confusion as to the purpose of the listed local RA designation. An explicit statement that the CAISO will contact the relevant Local Regulatory Authority in the CAISO tariff with respect to the listed local RA designation will clearly communicate the implications of the CAISO's recommended change.

¹ http://www.caiso.com/Documents/Agenda-Presentation-ReliabilityServicesPhase2WorkingGroup-Jun13_2017.pdf

2. PG&E asks the CAISO to recognize the broader reasons for the current challenges the Local RA paradigm currently faces, and the connection between these challenges and the current scope of the RS12 stakeholder process.

With an increase in Community Choice Aggregation (CCA), behind the meter generation, and renewable generation, California's energy landscape is changing. Associated with these changes, how the current bilateral capacity market functions will undergo significant changes as well. Historically, IOUs served the majority of load and could balance procurement in local areas to ensure reliability while meeting RA program design. In the past, a proposal like the current CAISO proposal could work if LSEs were more concerned with a potential threat of backstop procurement compared to the upfront premium associated with procuring listed local RA capacity. But with the growth in number and size of CCA, any one LSE will be less likely to conduct RA procurement to avoid potential CAISO backstop, essentially procuring in excess of their RA requirements. With each LSE wanting to keep costs low, no one LSE has the incentive to procure RA resources that ask or demand a premium for listed local status that may be needed by CAISO to reliably operate the system but aren't directly specified by the CAISO RA requirements. Significant changes will be needed to the RA framework in California, with CAISO possibly being needed to play a more active role to ensure reliability (e.g. through the use of CPM backstop process, particularly exceptional dispatch CPMs due to the creation of listed local RA capacity). CAISO should look at these issues together, when thinking about changes to the RA structure, such as incentives to procure and show listed local RA.

3. PG&E also asks the CAISO to provide more information on how it will determine the criteria for whether an additional stakeholder process is needed.

According to the discussion during the working group, the CAISO appears to be willing to attempt to characterize exceptional dispatch CPMs to be based on whether LSEs have shown sufficient listed local RA MWs. The CAISO has previously been resistant to provide more transparency on CPM determinations. In particular, the CAISO has consistently resisted the concept of attempting to determine the drivers of exceptional dispatch CPMs for cost allocation purposes. Without a clear understanding of how the determination of the drivers of exceptional dispatch CPM is made, PG&E cannot take a position on whether the concept of an exceptional dispatch CPM determination is appropriate. Since the CAISO has stated that it will use this determination to establish whether an additional stakeholder process is needed, PG&E asks the CAISO to spell out how it will analyze the link between listed local RA MWs, Local for System RA outage substitutions, and the need for incremental exceptional dispatch CPMs.² Instead of PG&E's interpretation of CAISO's assessment, which appears to PG&E to be highly complex, PG&E would suggest that the CAISO use the observed increase in exceptional dispatch CPMs to trigger a broader stakeholder process to investigate the Local RA paradigm in general, and also broaden the view of solutions to fully capture the existing enhancements that might be needed to the Local RA paradigm that are being magnified by changes to the competitive landscape of the RA program.

² In this case, PG&E would define incremental exceptional dispatches as the amount of exceptional dispatches that required CPM designations that actually occurred compared to the hypothetical amount of exceptional dispatches that would have required a CPM designation if Local for System substitutions for forced outages were not allowed.