



## Comments of Pacific Gas & Electric Company

### Flexible Resource Adequacy Criteria and Must-Offer Obligation

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) appreciates the opportunity to participate in the CAISO’s stakeholder process for the Flexible Resource Adequacy Criteria and Must-Offer Obligation Initiative and to submit comments regarding the December 13, 2012 Straw Proposal. The Straw Proposal largely presents the October 29, 2012 Joint Parties’ Proposal outlining their interim flexible capacity proposal. The CAISO’s Straw Proposal also discusses two topics not directly addressed in the Joint Parties’ Proposal:

1. Default Flexibility Capacity provisions for Local Regulatory Authorities (LRAs) that do not establish their own flexible resource adequacy (RA) requirements (Section 6); and
2. Expansion of the Capacity Procurement Mechanism (CPM) to backstop flexible RA deficiencies in an LSE’s flexible RA showing provided there is an overall system deficiency taking into account all LSE’s showings (Section 8).<sup>1</sup>

The October 29<sup>th</sup> Joint Parties’ Proposal is the same proposal for which PG&E and others provided comments to the California Public Utilities Commission (CPUC) on December 26, 2012.<sup>2</sup> A link to PG&E comments is provided in the footnotes below.<sup>3</sup> The comments PG&E provided to the CPUC are also applicable to the CAISO’s Straw Proposal. In summary, PG&E recommends the following:

- Flexible, use-limited hydroelectric resources should be required to provide six hours of energy per day for its flexible RA capacity, not the 17 hours of energy required in the

<sup>1</sup> This is similar to the CAISO’s current CPM authority that allows the CAISO to designate CPM capacity when an SC’s annual or monthly system RA showing is insufficient provided there is an overall net deficiency in meeting the system requirement (CAISO tariff section 43.2.3)

<sup>2</sup> CPUC Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations, R.11-10-023.

<sup>3</sup> [PG&E Comments on Joint Parties' Proposal 12-26-2012](#)

Joint Parties' Proposal. The Joint Parties' Proposal's obligation to submit 17 hours of bids each day would remain. However, the total energy obligation would be capped at the energy needed for six hours.

- The amount of flexible capacity available from a hydroelectric resource should be based on prospective availability assessments of flexible capacity from the hydroelectric resource owner/operator, as supported by annual and monthly availability plans provided to the CAISO, not based on historical bids using an average reference year as recommended in the Joint Parties' Proposal.
- Additional refinements should be developed in time for the 2015 RA compliance year. Specifically, the Joint Parties' Proposal's definition of what constitutes flexible resources needs to be aligned more closely to the definitions being developed in the CPUC's Long-Term Procurement Plan proceedings. The Joint Parties' Proposal's single, simplified measure of flexibility is not enough to ensure system reliability beyond 2014. PG&E estimates that the Joint Party Proposal would result in flexibility requirements of 16 to 30 percent of monthly peaks which is inadequate to operate the system with the expected increase of intermittent resources.

With respect to the two additional items discussed in the Straw Proposal (beyond the Joint Parties' Proposal), PG&E provides the following comments.

#### Default Flexibility Capacity Provisions for Local Regulatory Authorities

PG&E supports the development of uniform rules that apply to all LRAs. This includes uniform Flexible RA obligations across all LRAs, as well as, establishing default provisions for those LRAs that do not establish their own flexible RA requirements. To do otherwise would result in unfair treatment of CPUC-jurisdictional Load Serving Entities.

#### Expansion of Capacity Procurement Mechanism (CPM) for Flexibility

In determining which resource to offer a Flexible Capacity Procurement Mechanism designation, the CAISO proposes using the following three criteria to prioritize which resources would receive a designation:

- 1st Priority: An RA resource not listed on RA plans as having fully provided all of its eligible flexible capacity;
- 2<sup>nd</sup> Priority: A partial RA resource that is a) not listed on RA plans as having fully provided all of its eligible flexible capacity, or b) has additional capacity available that is eligible to provide flexible capacity; and
- 3<sup>rd</sup> Priority: A non-RA resource which best satisfies the remaining need while considering resource's P<sub>min</sub>, ramp rate, and start-up time that is able to provide flexible capacity.

Not all the details of how the CAISO would apply the three criteria are clear to PG&E, and we ask the CAISO to illustrate the application of the criteria through examples in the next draft of the proposal. It is important that all aspects of an expansion of CPM for Flexibility must be defined, developed and in-place prior to implementation.

PG&E does support the notion of the CAISO acquiring and compensating additional generic capacity from a flexible resource (i.e., the capacity is included in the system RA showing but not the flexible RA showing) before acquiring from a non-RA resource (as this seemingly would represent a lower-cost approach). PG&E also supports deferring any discussion of a change in the CPM compensation level to the second stage.