Pacific Gas and Electric Company

Comments of Pacific Gas and Electric Company
Revised Market Design Initiatives Catalog

Submitted by	Company	Date Submitted
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PG&E supports the CAISO's proposal to defer the ranking of Discretionary initiatives in the Catalog, and appreciates some of the changes in this revised draft. In particular, the recategorization of Marginal Loss Surplus Allocation from Discretionary to Non-Discretionary is a positive change.

However, there are several additional initiatives that the CAISO should consider adding or recategorizing as Non-discretionary to ensure that progress is made in the short-term. PG&E offers the following comments on further recategorization:

"Replacement Requirement for Scheduled Generation Outages" Should Be Categorized as In-Progress; Stakeholders Must Be Given Sufficient Lead Time for Implementation

The CPUC's current replacement rule requires that LSEs replace system RA resources that are taking planned outages during the month. However, the CPUC has ordered that LSEs should no longer be responsible for replacing the RA associated with planned outages, and that the outage coordination should be the responsibility of the CAISO. PG&E understands that the CAISO is making progress in developing future policies to modify the replacement rule, but this progress should be noted in the Market Catalog with a designation of In-Progress.

Furthermore, if an implementation date of January 2013 is being targeted, it is critical that the project timeline leaves adequate time for a stakeholder process if needed and for participants to develop and test internal systems.[1] If the CAISO expects that changes would require participants to integrate or modify their systems, stakeholders will likely need to know those specifications with a one year lead time.

Clarify that "In-Progress" for Load Granularity Refinements (LGR) Refers to the Technical Studies and Stakeholder Process; Not LGR Implementation

PG&E asks the CAISO to clarify that the LGR initiative refers to the completion of additional technical and pricing studies and a stakeholder process by mid-2013.[2] This initiative should not

[1] In the Final Decision issued on June 23, 2011 (Rulemaking 09-10-032), the CPUC retained the replacement rule 2012 compliance year and encouraged the CAISO to "quickly begin working with all stakeholders to develop the necessary procedures and tools to reliably operate without the current replacement rule." The Final Decision also stated that the replacement rule must end by the start of RA compliance year 2013.

[2] FERC Order Granting Motion for Extension of Time. ER06-615.

presuppose the results of the studies, whether additional granularity is deemed necessary, or, if so, the extent of additional granularity needed. As stated in previous comments, PG&E does not support LGR implementation unless the CAISO can clearly show the benefits outweigh the costs and retail and wholesale market issues can be resolved.

Reclassify Pay-for-Performance Regulation as FERC-Mandated; Request that CAISO File for a One-Year Extension of FERC Deadlines

PG&E notes that FERC recently issued a final rule mandating the development of pay-for-performance regulation.[3] This initiative should therefore be reclassified as "FERC-Mandated." PG&E understands that the rule requires the CAISO to file tariff changes within 120 days (February 2012), and to implement the changes 180 days after that (August 2012). These deadlines do not seem achievable given the other priorities on the Renewables Integration Roadmap, as well as the implementation complexities involved in incorporating a new market product or bid component. PG&E recommends that the CAISO request from FERC a one-year extension of the deadlines. PG&E would support such a request.

Incorporate the "Integration of RUC and IFM" Initiative into the Flexible Ramping Initiative

Day-ahead procurement of upward ramping flexibility is not easily distinguished mathematically within the ISO's bid cost minimization from day-ahead procurement of RUC capacity, with the exception that the first as a service will be integrated into the IFM whereas the second will not. In addition, procurement of downward ramping flexibility will potentially conflict with a post-IFM procurement of RUC capacity that increases the total supply-side minimum load in a case where downward ramping capability has been procured with just the opposite objective. PG&E suggests that the integration of RUC and IFM should therefore be incorporated into the initiative to define a ramping flexibility product, with the aim of producing a single consistent market solution that provides both upward and downward ramping flexibility and sufficient capacity overall to meet the ISO's forecast of control area load.

The Central Counterparty Issue (as Part of FERC Order 741 Implementation) Should Be Added to the Catalog and Considered a FERC-Mandated Initiative

PG&E acknowledges the progress the CAISO has made in implementing FERC Order 741. With the recent Order in July accepting CAISO's compliance filing, the outstanding issues seem to be:

1. Creating a verification process for the Officer Certification form for Minimum Participation Requirements (which will be implemented through the BPMs)
2. Developing an approach to address the risk of losses associated with a market participant's bankruptcy (which may involve the CAISO becoming a central counterparty to all market transactions)

It makes sense to consider the central counterparty issue its own initiative, categorized as FERC-mandated.

All GHG or AB32-Related Initiatives Should Be Categorized as Non-Discretionary

[3] FERC Order 755 on Regulation Compensation. RM11-7.

Although AB32 implementation has been delayed by one year, the CAISO should engage the stakeholder process early enough to ensure that its systems (and those of market participants) are operational at the start of 2013, and should not underestimate the effort required to incorporate GHG into its systems. The one initiative related to GHGs that is currently listed in the Catalog is "Uplift Treatment to Accommodate GHGs", which the CAISO plans to kick off in early Q1 2012. This initiative should be categorized as Non-Discretionary since the CAISO needs to be prepared for market changes related to implementation of this state mandate.

PG&E would also like to highlight the importance of the possible implications for CAISO's status as "first deliverer of electricity" if it becomes a central counterparty as part of FERC Order 741 implementation. Although it might not make sense to include as a separate initiative, any issues related to "first deliverer of electricity" status need to be resolved before January 2013.

Recommend Merging the NGR Model with the Pump Load Model as a Non-Discretionary Initiative

PG&E suggests that enhanced Participating Load modeling be pursued by the CAISO as a mid-term or long-term initiative in the Renewable Integration Road Map, with the eventual aim of merging the Non Generation Resource (NGR) model and the pumped storage model. This initiative would allow better modeling in the markets of dispatchable load that has minimum and maximum load reduction levels. [4]

[4] Currently, the pump model only recognizes one discrete level in which a unit can pump while the NGR model recognizes the entire operating range of the resource (e.g. battery storage via REM). Merging the NGR model with the pump storage model would allow Participating Load (e.g. pump storage or any other resource capable of load reduction) to bid various quantities of energy into the market, not just one quantity, as is currently the case.