



## Comments of Pacific Gas and Electric Company *2013 Stakeholder Initiatives Catalog*

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) 2013 Stakeholder Initiatives Catalog ("Catalog"), released January 28, 2014.

In these comments we provide further recommendations on the CAISO's stakeholder catalog process as well as modifications to the Market and Infrastructure Policy Draft Roadmap ("Roadmap").

Our main points are:

- The CAISO Catalog process has been improved through CAISO new iterative process and looks forward to providing regular feedback at the Market Performance and Planning Forums; however, the initiatives selected should reflect the desire of stakeholders.
- The Review of Convergence Bidding Uplift Allocation initiative should be included in the 2014 Roadmap.
- We support the CAISO addressing Marginal Loss Surplus Allocation Alternative Approaches in Q4 2014.

### **Process Improvements**

- 1) PG&E supports the CAISO presenting the full 2014 Roadmap for stakeholder comment and looks forward to providing regular feedback at the Market Performance and Planning Forums. We encourage the CAISO to consult with stakeholders at this forum before deciding to undertake a new initiative. The CAISO should brief stakeholders on the impact of the new initiative on the overall Roadmap (i.e. other initiatives that will be pushed back). Then

stakeholders can better understand any tradeoffs before supporting the new initiative.

We also ask the CAISO to consider whether Infrastructure initiatives should be discussed in a different stakeholder forum.

- 2) **PG&E does not support the CAISO disregarding the top two ranked stakeholder initiatives. We urge the CAISO to begin these initiatives promptly.**

We recognize the limitations that the CAISO faces in prioritizing stakeholder initiatives. However, CAISO has a responsibility to incorporate the feedback of its stakeholders. It is not appropriate for the CAISO to move forward based on its own priorities and disregard stakeholder input. Unanimous stakeholder consensus should not be required to move forward with an initiative.

Both 11.4 Review of Convergence Bidding Uplift Allocation and 7.13 Mitigating Transient Price Spikes, RTIEO/RTCO was highly ranked by the CPUC and LSEs. These entities represent the vast majority of load in California. It is clear that stakeholders do not believe these issues will be adequately addressed through other initiatives and the CAISO should prioritize moving forward on them based on Stakeholder feedback.

- 3) PG&E recommends that the CAISO examine the catalog for initiatives that have been dormant for many years, but remain “In progress” (e.g. 15.10 Lossy vs. Lossless Shift Factors). Such initiatives should be re-categorized as discretionary.

## **Market and Infrastructure Policy Draft Roadmap**

- 1) PG&E strongly supports the following initiatives as they appear in the Roadmap.

### **6.4 Marginal Loss Surplus Allocation Alternative Approaches**

PG&E supports including 6.4 Marginal Loss Surplus Allocation Alternative Approaches in the Roadmap. The MLSA Alternative Approaches initiative has been delayed for several years. PG&E is encouraged by its inclusion in the 2014 Roadmap and expects the CAISO to move forward with this initiative in

Q4 as planned based on analysis and data being available to proceed. We would object to any delay in addressing this initiative.

## **12.6 Standard Capacity Product Enhancements**

**PG&E supports the CAISO addressing 12.6 Standard Capacity Product Enhancements in the new 12.4 Reliability Services Initiative.** We look forward to working with the CAISO in the RSI to reexamine resource adequacy products and incentive mechanisms to ensure that needed resources are available to the market.

## **9.5 Pay for Performance Review and Enhancements**

**PG&E supports the inclusion of the Pay for Performance initiative in the 2014 Roadmap.** There are clear fundamental problems with the Pay for Performance mechanism and PG&E supports the CAISO's efforts to take corrective action. PG&E believes that the CAISO must prioritize completing this initiative and obtaining FERC approval prior to the expiration date for the waiver the CAISO has requested at FERC of December 31, 2014.

## **14.1 Active Power Control Interconnection Requirements for Variable Energy Resources (VERs)**

**PG&E supports the CAISO in considering Active Power Control Interconnection for VERs in Q3 2014.** We believe there is potential value in adopting these requirements and believe all four are worth exploring (reactive power, automatic voltage control, active power management, and inertial response). We encourage the CAISO to produce a whitepaper to provide stakeholders with more details about the new requirements. The proposed requirements could allow the CAISO to directly control the output of wind and solar resources, providing a potential remedy to overgeneration. Given the increasing penetration of renewable energy, and the potential for higher mandates in the future, it is important for the CAISO to have these tools to maintain grid reliability.

We also suggest the CAISO broaden the initiative name to accommodate the range of requirements being considered.

## Revisions to CAISO Planning Standards

PG&E supports the CAISO's initiative to review and, as appropriate, revise CAISO planning standards, and agrees that Q1 2014 is an appropriate time to begin this effort.

## New policy initiative on storage interconnection

**PG&E supports the CAISO's new policy initiative to look at any issues related to the interconnection of storage resources.** PG&E believes that there are a number of policy ambiguities that currently exist with respect to storage interconnection, and believes that a CAISO initiative would be a valuable mechanism to look at these issues.

PG&E is currently evaluating bids from its 2013 RPS RFO, some of which include storage components. PG&E also anticipates holding its first competitive solicitation for storage in the fourth quarter of 2014. Changes to the CAISO tariff are unlikely to be implemented in time to impact current or near term solicitations, so PG&E recommends that the CAISO initially prioritize non-tariff process enhancement with a greater chance of providing short-term benefits. Non-tariff topics PG&E recommends for immediate prioritization include:

- Study criteria for storage as a non-transmission alternative in the transmission planning process
- Material modification process BPM – parameters for storage to be added to existing or queued resources. Issues include storage as generation smoothing versus generation shifting; defining acceptable mitigation criteria for storage add-ons to ensure non-materiality of the additions
- Development of a CAISO-PTO coordination process for study of load impacts (which are currently subject to CPUC-jurisdictional PTO load interconnection tariffs)

Longer-term topics may include the following:

- Tariff clarifications addressing network upgrade cost responsibility of storage acting as both generation and load
- Interconnection study requirements for storage as a transmission resource identified in the TPP

- Issues related to dual use of assets (i.e., assets acting as a part-time transmission resource and part-time wholesale market resource)

2) PG&E recommends that the following initiatives be added to the Roadmap.

#### **11.4 Review of Convergence Bidding Uplift Allocation**

**PG&E strongly encourages the CAISO to include a Review of Convergence Bidding Uplift Allocation in the 2014 Roadmap.** This was the highest ranked initiative amongst stakeholders, and deserves the CAISO's attention in the coming year. While we recognize that the Full Network Model initiative may reduce the amount of uplift costs created by virtual bidders and allocated to load, the Full Network Model will not fully solve the issues that give rise to the uplift or the flawed foundational method for allocating these uplift costs. In light of the significant market design changes that will occur this year (FERC 764, EIM), we recommend the CAISO address allocation issues promptly. The CAISO should start this initiative in Q2 2014.

#### **New: Review of Gas Price Adjustments**

PG&E proposes a new initiative to reexamine how natural gas prices are incorporated into the proxy start-up and minimum load bids ~~market bids~~. In recent weeks (and with similar events in the past), the CAISO footprint has experienced large and rapid swings in gas prices such that the price included in the startup and minimum load portions of bids don't accurately reflect true costs of providing the power. These situations lead to inefficient market solutions and inadequate cost recovery for gas fired resources; the significance of these impacts deserves the CAISO's attention.

CAISO should consider reexamining the gas index selection for start-up and minimum load costs used in the CAISO's unit commitment processes that are experiencing volatile market conditions in order to ensure that gas prices better reflect actual costs and further, re-examine methods to expedite switching between proxy costs and registered costs when large shifts in gas prices occur.

#### **15.15 Storage Generator Plant Modeling**

PG&E recognizes that the CAISO has taken an important step towards storage integrated with the new interconnection standard initiative for storage

resources. **We believe there are more issues related to storage that the CAISO should be considering in light of the recent CPUC storage mandate for over 1300 MW of new storage.**

The CAISO should explore improved storage market modeling that would co-optimize energy and ancillary services across the time horizon of the Integrated Forward Market (including multiple days as the IFM expands its optimization horizon, and within the shorter commitment/dispatch horizons in the Real-Time Markets), while managing/optimizing the charging and discharging of storage resources based on the energy and ancillary services bids (with specific start and end states of charge) provided by market participants. Lack of this type of modelling will severely limit the ability of storage resources to fully participate in the CAISO (i.e. provide bids rather than self-schedule)

#### **7.7 DLAP Level Proxy Demand Response**

**PG&E recommends that the CAISO give the 7.7. DLAP Level Proxy Demand Response (DR) initiative adequate reconsideration and create the product in its tariff to align the state agencies' objectives and strategies on DR wholesale integration.** We regret that this initiative was not selected by the CAISO for the 2014 Roadmap. In order to grow and develop wholesale DR, the CPUC is currently in the process of a DR Rulemaking that aims to integrate a significant amount of DR into the wholesale market. PG&E's proposed initiative to develop a DLAP-level wholesale DR product can be instrumental in reducing barriers and costs of demand response wholesale market integration.

#### **14.6 Affected Systems**

**PG&E urges the CAISO to prioritize the Affected Systems initiative for Q3 2014 in lieu of the CAISO's proposed new IPE-related initiative.** PG&E believes that Affected Systems remains the top outstanding interconnection policy issue, and believes that stakeholder concerns will be better served by prioritizing the affected systems initiative over a new IPE process.

- 3) PG&E recommends the following initiatives be further researched and information be provided to stakeholders before proceeding.

## 7.2 Bidding Rules

**PG&E opposes moving forward on the Bidding Rules initiative at this time because the CAISO has not provided sufficient information about the problem.** The CAISO should clearly define and quantify the market power problems they are seeing, and allow stakeholders to weigh in on the appropriate mechanism for addressing these problems.

The ability to change bids between Day-Ahead and Real-Time, and across hours in Real-Time is important to adjust for short term changes in gas prices, water conditions, and other variables that influence bid calculations. In addition, this initiative is not FERC mandated. Nor was it highly ranked by stakeholders.

## 9.4 Frequency/Inertia Procurement

**Before opening up a stakeholder process for Frequency/Inertia Procurement, PG&E recommends that the CAISO produce a whitepaper to provide more details to stakeholders about the extent of this problem.** Based on stakeholder feedback, an initiative could then be pursued if enhancements are necessary to meet the new standards.