



**Comments of Pacific Gas & Electric Company**  
 Reliability Services Initiative Phase 2 – Revised Draft Final Proposal

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) Revised Draft Final Proposal.

Considering the four month delay in this initiative and the expected implementation schedule for Phase 1 of the RSI, PG&E asks that the CAISO provide a timeline on when it intends to implement the proposed Phase 2 changes and when these changes are expected to take effect. CAISO should address PG&E's concerns both articulated here and that have been outlined in previous comments before moving this proposal forward to the CAISO Board of Governors.

In summary, PG&E recommends the following:

- The CAISO should remove the entire section of the RSI2 proposal related to separating the local and system RA for purpose of forced outage substitution.
- The CAISO should provide additional details on how flexible capacity resources on planned outage will be assessed in the outage substitution process.
- The CAISO should clarify its comments on whether RAIM exemptions are out of the scope of this initiative.
- The CAISO should adopt the proposed changes to RA showing requirements for small LSEs.

1. The CAISO should remove the entire section of the RSI2 proposal related to separating the local and system RA for purpose of forced outage substitution.

The CAISO proposes to create a new filing in order to allow Local RA resources to designate themselves as System-only RA resources. PG&E views this aspect of the proposal as lacking in merit. We continue to have significant unaddressed concerns that have been outlined in previous comments.<sup>1</sup> We also provided in our comments to the Draft Final Proposal an alternative approach that was not recognized in the Revised Draft Final Proposal.<sup>2</sup> Considering the importance of other initiatives and the CAISO's goal of timely completing this initiative, PG&E recommends that this entire section of the proposal be removed.

2. CAISO should provide additional details on how flexible capacity resources on planned outage will be assessed in the outage substitution process.

While PG&E agrees in concept with flexible resources on planned outage requiring substitution, PG&E is concerned by the level of confusion this aspect of the proposal caused during the July 14<sup>th</sup> RSI2 meeting. We interpret this confusion as due to the lack of details as to how flexible capacity MWs on planned outage will be assessed in the outage substitution process. PG&E recommends that the CAISO provide specific examples of scenarios when planned outages will require substitution for:

- 1) Flexible RA capacity, but not System RA capacity
- 2) System RA capacity, but not Flexible RA capacity
- 3) Both types of capacity
- 4) Neither types of capacity

PG&E appreciates that these suggestions do not fit well with the CAISO's current timeline for this initiative. However, we expect these details will need to be worked out at some point. Based on prior experience, we believe that the policy stage is a more appropriate venue to work out these issues compared to the implementation stage.

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<sup>1</sup>PG&E's comments on the RSI Draft Final Proposal, pgs 1-2

[http://www.caiso.com/Documents/PG\\_EComments-ReliabilityServicesPhase2-DraftFinalProposal.pdf](http://www.caiso.com/Documents/PG_EComments-ReliabilityServicesPhase2-DraftFinalProposal.pdf)

1. The CAISO does not plan to represent the needs of the system the same for market participants as the CAISO intends to study the system for its review of collective deficiencies.
2. The CAISO does not appear to recognize the potential costs associated with this proposed change, which will provide suppliers with an improved ability to exercise local market power.
3. This change could result in an increase in CPM designations, resulting in unnecessarily increasing costs to Load.
4. The current CPM under development does not consider whether local resources are shown as System RA or Local RA, and the current proposal does not suggest changes to the CPM to accommodate this change.
5. The status quo allows suppliers to reflect their costs in contractual negotiations to address the identified cost risk borne by suppliers.
6. The change does not add value as the standard Resource Adequacy Confirmation Agreement compensates the seller for its Local RA attributes.
7. Adding a new RA showing adds unnecessary complexity and increases the probability of mistakes.
8. The CAISO does not appear to have a clear understanding of the costs and implementation difficulties this change could have on its own software systems.

<sup>2</sup>This approach was to investigate the possibility of loosening substitution eligibility to allow resources outside of Local Areas to substitute for resources within the Local Area based on the System and Local Area reserve margins.

3. The CAISO should clarify its comments on whether RAAIM exemptions are out of the scope of this initiative.

In PG&E's comments on the RSI2 Draft Final Proposal, we asked the CAISO to exempt hydro resources from the RA availability incentive mechanism (RAAIM) if the resource design or regulatory requirements result in variability beyond the control of the Scheduling Coordinator and/or operator of the resource. In its stakeholder comments matrix<sup>3</sup>, the CAISO indicated that it views this request as out of scope. PG&E asks the CAISO to clarify this comment based on the direction the CAISO provided to PG&E in the Commitment Cost Enhancements Phase 3 stakeholder process<sup>4</sup>, where it directed PG&E to submit this particular issue into the current Reliability Services Initiative stakeholder process. PG&E believes our RAAIM exemptions request would be best addressed as a part of the RSI 2 process, but at a minimum requests clarification on the appropriate venue.

4. The CAISO should adopt the proposed changes to RA showing requirements for small LSEs.

PG&E appreciates the clarification that the CAISO is not proposing to exempt small LSEs from potential backstop procurement costs. With this clarification, PG&E supports this aspect of the proposal.

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<sup>3</sup> RSI2 Revised Draft Final Proposal, pg. 32. "The ISO appreciates PG&E's comments on this matter. However, additional exemptions to the RAAIM are beyond the scope of the current initiative."

<sup>4</sup> Commitment Cost Enhancements Phase 3 Draft Final Proposal Comments Matrix, pg. 8. "RAAIM exemptions for specific resource types was contemplated under the Reliability Services initiatives. This is a topic that would best be addressed under the current RSI stakeholder process rather than CCE3." Available at:

<http://www.caiso.com/Documents/commentsmatrix-commitmentcostenhancementsphase3-draftfinalproposal.pdf>