

Comments of Pacific Gas and Electric Company

Draft Catalogue of Market Design Initiatives

Submitted by	Company	Date Submitted
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Pacific Gas and Electric (PG&E) appreciates the CAISO's work to develop the 2010 Catalogue of Market Design Initiatives and the opportunity to participate in the corresponding stakeholder process.

Timing of Stakeholder Process

Finalization of Catalogue Seems Premature: According to the market notice for this initiative, the CAISO does not intend to begin the ranking process until mid-year 2011. At that point, the market catalogue that stakeholders update now will be eight to nine months old. PG&E anticipates that this lag will necessitate updating the catalogue again before the 2011 initiative ranking process. Therefore, PG&E suggests that the CAISO table finalization of the catalogue and that a second opportunity to update be added closer to the start of the ranking process.

Based on the expectation noted above, PG&E has not invested a significant amount of time into reviewing this draft catalogue. We have provided feedback on the issues we are aware of now, and we intend to more thoroughly review the entire catalogue during the anticipated update opportunity prior to the 2011 ranking. As suggested in the market notice, there are still several large initiatives currently in process or in queue to be started soon. After the scope and status of these initiatives is clearer, a more complete version of the catalogue can be created.

For instance, several of the items listed in this catalogue may be included in the Renewable Integration Initiative. However, at this point, the scope of that initiative is not well defined. Only after stakeholders agree on the scope will it be clear which other policy topics warrant listing as separate initiatives.

Cost / Benefit of New Market Initiatives

Cost Benefit Analysis Should Become Part of the Roadmap Process: Up to this point, non-FERC-mandated market initiatives have been initiated after successfully passing the CAISO ranking process that incorporates some qualitative cost-benefit considerations in the ranking criteria. No further cost-benefit consideration was completed between the rank screening and the start of the initiative stakeholder process. The lack of a robust cost-benefit analysis made sense in 2008/2009 because the market was new and the CAISO and stakeholders were focused on getting the market up and running. However,

now that the CAISO market is stable, the time has come to apply more business discipline to the selection of initiatives and consider market improvements within a more systematic and detailed cost-benefit framework.

PG&E's objective in seeking a more robust framework is to ensure implementation costs incurred on behalf of its customers provide substantial value. To meet that objective, PG&E asks the CAISO to engage stakeholders in a conversation about the appropriate level of cost-benefit analysis needed before pursuing large initiatives. Such a process does not have to be resource intensive and should not lead to significant implementation delays. Rather, it should give comfort to market participants and the CAISO Management and Board that the initiatives being pursued are worth the effort.

Completeness of Current Catalogue

Draft Catalogue Does Not Reflect Current Policy Landscape: PG&E suggests that before the CAISO releases another draft catalogue to market participants, it should make a best effort to ensure that it accurately reflects the current status of all listed initiatives. For example, Initial Conditions Management (2.3) is listed as discretionary even though the stakeholder process has already begun and a white paper is available on the website. Other examples of this same problem are noted for items 2.9, 8.3, 10.1, 10.3, and 10.9.

Also, the catalogue is inconsistent in its treatment of the non-discretionary Technical Bulletin (TB) items, such as MOC, that CAISO has implemented to correct design inefficiencies. There are several TBs that have been implemented this year and have not been classified as formal initiatives in the Market Design Initiative Catalogue.

New Initiatives to Add

PG&E recommends four additions to the Catalogue of Market Design Initiatives.

1. Revisit current uplift treatment of emissions costs and master file bid parameter options to accommodate GHG

The CAISO will need to re-evaluate the existing policies associated with the current market-wide uplift treatment of emissions related costs and will likely need to update market systems to accommodate changes to master file data including default energy bids, minimum load costs, startup costs and transition costs with regards to GHG. The CAISO will need to begin discussions with stakeholders early to develop options to incorporate GHG costs prior to the first GHG compliance period. Note: We noticed in the 2009 Catalogue of Market Design Initiative that GHG is under the deleted initiative section with the status that the topic is incorporated in the Strategic Planning process and does not apply to the design initiatives schedule. We are unsure if the Strategic Planning process has discussed the above topic but suggest CAISO to consider it.

2. Eliminate automatic conversion of non-contingent reserves to contingency-only upon receiving incremental reserve awards in real-time

Currently, incremental reserves procured in the Real Time Pre-Dispatch Process (RTPD) before Real Time Dispatch (RTD), are automatically designated as contingency-only. In addition, any reserves already awarded to the resource in the IFM designated as non-contingent are also reclassified as contingency-only, overriding the market participant's desired day ahead designation. As a result, even when the ISO has sufficient reserves to meet requirements, economic energy cannot be dispatched due to the current market software configuration. The ISO should consider updating its market software to allow both contingent and non-contingent reserve from an individual resource so that day-ahead awards are not automatically converted to contingent reserves when additional capacity is purchased in real-time.

3. Sub-hourly scheduling

The CAISO currently requires that bids/schedules be submitted at an hourly granularity in the Real-Time Markets (RTM) but may benefit from relaxing this requirement. While the Real Time Dispatch (RTD) outputs prices every 5 minutes, the bids for all resources are required to be constant for the entire hour. This can be an unnecessarily restrictive for intermittent resources that have intra-hour generation forecasts but can only self-schedule a single value. The restriction exposes intermittent resources that are not enrolled in the Participating Intermittent Resources Program (PIRP) to imbalance charges, settled at the RTD price, that are a consequence of the market systems and not a result of poor forecasting or performance. A stakeholder process on this initiative should include discussion on the appropriate sub-hourly scheduling interval.

4. DLAP Level PDR (a.k.a. Enhancements for Non-Participating Load)

Currently, there is no mechanism for a Default Load Aggregation Point (DLAP) level PDR to be explicitly incorporated into the CAISO market. Adding the ability to create a PDR at the DLAP level would allow potential DLAP wide dynamic rate tariffs to be explicitly incorporated into the CAISO markets.

Initiatives to Remove

PG&E recommends one deletion from the Catalogue of Market Design Initiatives

Forward Capacity Market

With the CPUC Decision (D. 10-06-018, June 3, 2010) Phase 2 – Track 2 Issues: Adoption of a Preferred Policy for Resource Adequacy, the inclusion of an initiative for the development of a Forward Capacity Market is no longer appropriate. This item should be removed or in the alternative, relocated to the 'Completed Initiatives' section to recognize the significant CAISO and stakeholder efforts that facilitated the ultimate CPUC decision.

Amendment to Listed Initiatives

10.6 Should Be Expanded to Include Basic Modeling of Any Energy Storage

Technology: The current description of this initiative simply states that pumped Hydro units should be modeled more appropriately. However, there are also other energy storage technologies that are currently not modeled well in the CAISO markets. Rather than creating an entire initiative for one technology, we suggest that this initiative be expanded to facilitate the basic buying and selling of energy from all storage devices and their integration into other CAISO markets.