



Comments of Pacific Gas and Electric Company
Flexible Resource Adequacy Criteria and Must-Offer Obligation
Revised Draft Tariff Language

Submitted by		Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) offers the following comments in the stakeholder process for the California Independent System Operator’s (CAISO) Flexible Resource Adequacy Criteria and Must-Offer Obligation (FRAC-MOO) initiative June 27, 2014 Revised Draft Tariff (Revised Tariff). PG&E’s proposed tariff edits are in blue.

PG&E’s comments are arranged in two sections:

- “Substantive Concerns” identifies elements of the Tariff that diverge from the Revised Draft Final Proposal and initiative as approved by the CAISO Board of Governors;
- And “Requests for Clarification” indicates elements of the proposed Tariff that are unclear.

Substantive Concerns

PG&E Agrees With the CPUC Staff’s Comments That The Proposed Tariff Language Does Not Show Proper Deference To The CPUC

In their comments on the draft tariff language, the CPUC staff identifies

a critical problem that permeates CAISO’s proposed structure for the FRAC-MOO tariff; it lacks requisite deference to the CPUC’s statutory authority to

determine resource adequacy requirements, which is accomplished through the CPUC's annual resource adequacy proceeding.¹

PG&E fully supports the CPUC staff's concern. As the CPUC staff notes, the draft tariff language shows little deference to the CPUC's resource adequacy responsibilities.

The revised draft tariff proposal does not address the issues identified by CPUC staff in any fundamental way. While the revised draft incorporates a few of the CPUC staff's recommended changes to the tariff language, the revised proposal continues to show little deference to the CPUC. PG&E urges the CAISO to revise the tariff language, before submitting to FERC, so that the language comports with the level of deference to the CPUC that CPUC staff is recommending.

As CPUC staff indicates, for example, "[t]he proposed tariff lacks necessary language to clearly indicate that the CPUC will determine the Flexible Capacity Requirements for CPUC-jurisdictional LSE's, including how to allocate the requirements among the CPUC-jurisdictional LSEs."² The CAISO tariff should defer to the CPUC in this regard and only set requirements for CPUC-jurisdictional LSEs if the CPUC fails to do so.

CPUC staff also expresses concern with respect to how the draft tariff language purports to establish "categories" of flexible resource adequacy resources, and to set limits on CPUC-jurisdictional LSEs with respect to procurement of flexible resource adequacy resources within those categories.³ PG&E echoes the CPUC staff's concerns. While the CAISO incorporated some of the CPUC staff's proposed changes to the draft tariff languages, the modifications do not fully address the CPUC staff's concerns.

Finally, CPUC staff expresses concerns with how the draft tariff language proposes to use the "effective flexible capacity" (EFC) calculations set forth in the draft tariff. In connection with this, the CPUC staff observes that "there is no need for the CAISO to validate the annual or monthly plans using the CAISO's versions of the EFCs; the CPUC will validate the plans."⁴ PG&E agrees.

In sum, the changes made by the CAISO in its revised draft tariff language fail to adequately address the CPUC staff's concern that the original draft tariff language did not show requisite deference to the CPUC's statutory authority to determine

¹ CPUC Staff Comments On Proposed Tariff Language (May 19, 2014 Version), p. 8 (footnote omitted).

² CPUC Staff Comments On Proposed Tariff Language (May 19, 2014 Version), p. 9.

³ CPUC Staff Comments On Proposed Tariff Language (May 19, 2014 Version), p. 13.

⁴ CPUC Staff Comments On Proposed Tariff Language (May 19, 2014 Version), p. 23.

resource adequacy requirements. PG&E urges the CAISO to make the necessary changes to the proposed tariff in each of the areas mentioned above prior to submitting the proposal to FERC. From PG&E's perspective it is important that the CAISO tariff reflect the level of deference to the CPUC that the CPUC recommends. Otherwise, CPUC-jurisdictional LSEs such as PG&E are caught between the demands of the CPUC, and potentially competing requirements of the CAISO tariff.

Tariff Language Related to Load-Following Metered Sub Systems Appears Inconsistent With Policy

The proposed Revised Tariff address load following metered sub systems (MSS) in sections "40.10.2.2 Allocation to Load-Following MSS" and section "40.10.5.1 LSE Flexible RA Capacity Plans (a) Submission Requirements". Whereas section 40.10.2.2 states the CAISO will calculate the allocable share of the Flexible Capacity Need for Load-Following MSS, section 40.10.5.1(a) states that Load-Following MSS will not be required to make annual or monthly showings. The CAISO failed to include language from the Revised Draft Final Proposal explaining that, "MSS load-following LSE's allocation portion will be subtracted from the total allocation for purposes of backstop procurement."

The CAISO must add this language to section 40.10.2.2. Failure to do so will result in a flexible capacity deficiency to be borne by all CAISO load.

40.10.2.2 Allocation to Load-Following MSS

The CAISO will calculate the allocable share of the Flexible Capacity Need for each Load-following MSS in accordance with the provisions for Local Regulatory Authorities in Section 40.10.2. Any resulting calculation of need will be subtracted from the total system flexible capacity requirement.

Flexible Capacity Needs Assessment Requires Greater Detail and Clarification

The Flexible Capacity Needs Assessment was not part of the FRAC-MOO initiative development, yet the CAISO here proposes to include it in the Tariff filing for FRAC-MOO. PG&E is amenable to this treatment, but requests the clarifications and additional language identified below:

40.10.1 Flexible Capacity Needs Assessment

The CAISO shall annually conduct a study to determine the Flexible Capacity

Need of the CAISO Balancing Authority Area for each month of the next calendar year and provide the results of the study in the Flexible Capacity Needs Assessment.

40.10.1.1 Process-Required Information from the CAISO

- (a) **Schedule.** The CAISO shall conduct the study pursuant to the schedule set forth in the Business Practice Manual, which shall include a process for stakeholders to review and provide input on the study methodology and assumptions and on the draft study results.
- (b) **Completion and Distribution.** The CAISO shall provide the final results of the Flexible Capacity Needs Assessment to each Local Regulatory Authority in the ISO Balancing Authority Area and post the Flexible Capacity Needs Assessment on the CAISO Website no later than 120 days prior to the date that the annual Flexible RA Capacity Plans must be submitted under Section 40.
- (c) The CAISO will provide a description of the methodology used to estimate and allocate the total Flexible Capacity Need among Local Regulatory Authorities and their respective LSEs as well as sufficient data and work papers for LRAs and LSEs to duplicate the CAISO's assessment and allocation.

The EFC of Hydro Units Should Not Be Fuel Dependent

In Tariff Section 40.10.4.2, the CAISO has modified the Effective Flexible Capacity of a hydroelectric generating unit to be the *minimum* amount of capacity that can generate for 6 hours. This addition introduces the possible consideration of available water flow into the EFC calculation for hydroelectric units. However, the EFC calculation is based on a unit's capacity only and is not dependent on fuel availability. The word "minimum" is unnecessary and inappropriate in this context, and should be removed.

40.10.4.2 Effective Flexible Capacity Calculation

- (b) **Hydroelectric Generating Unit.** The Effective Flexible Capacity of a hydroelectric generating unit will be the ~~minimum~~ amount of capacity from which the resource can produce Energy consistently for 6 hours based

upon the resource's physical storage capacity, which shall not to exceed its Net Qualifying Capacity.

Information Required from LSEs Should Include Projections of Behind the Meter Solar Generation

Section 40.10.1.2(b) describes data submissions required of LSEs. Noticeably absent is reference to estimates of incremental behind the meter solar generation. PG&E notes that these generation estimates must be estimated and included in forecasts. The CAISO should require LSEs to submit estimates of incremental behind the meter solar generation or the CAISO should formulate its own forecasts and document its methodology.

40.10.1.2 Required Information From LSEs

- (a) **Submission Requirement.** The Scheduling Coordinator for each Load Serving Entity in the CAISO Balancing Authority Area shall submit the information required by this Section, no later than January 15 each year, for use in the CAISO's study to generate minute-by-minute net-load data that will be used to determine the Maximum Three-Hour Net-Load Ramp for each month.
- (b) **Required Information.** The Scheduling Coordinator for each Load Serving Entity in the CAISO Balancing Authority Area must submit information that --
- (1) covers the calendar year in which the information is submitted and each year in the next five-year period;
 - (2) identifies each wind and solar resource connected to the CAISO Controlled Grid, and distributed wind and solar resources, that is owned, in whole or in part, by the Load Serving Entity, or under contractual commitment to the Load Serving Entity, for all or a portion of its capacity;
 - (3) indicates the status of the resource as either in service or in development with its expected commercial operation date;
 - (4) for each wind and solar resource, specifies the ~~technology type~~, MWs of installed capacity, renewable energy area location, MWs of flexible capacity owned by or contractually committed to the Load Serving Entity, and other information required by the Business Practice Manual; and

- (5) describes the balancing services, if any, provided by ~~an~~ another balancing authority area for a wind or solar resource that is located outside of the CAISO Balancing Authority Area and ~~this~~ is owned by or contractually committed to the Load Serving Entity.
- (6) forecasts installed MW of behind-the-meter solar in the LSE service area.

Suggestions for Clarification

EFC and NQC Publishing Dates are Unclear

In Tariff Section 40.10.4, the CAISO indicates that the draft and final EFC lists will be published in accordance with the schedule for publishing the NQC values. PG&E supports aligning these schedules, however, PG&E is not aware of a formal schedule for the NQC list. In the BPM for reliability requirements, Exhibit A-1, page 161, the submittal date for the NQC report is marked as “TBD”.⁵ CAISO should clarify the EFC and NQC publishing dates in the Tariff.

Communicating LSE-Specific Allocation

Tariff Section 40.10.5.3 outlines the CAISO process to validate an LSE’s Flexible RA Capacity Plan against the CAISO’s allocation in an instance where the relevant LRA has not established its own flexible capacity requirements. However, no mechanism exists in the Tariff for the CAISO to communicate the LSE-specific, CAISO-determined allocation to the relevant LSE. As outlined in Tariff Section 40.10.2, the CAISO-determined allocation is only given by the CAISO to each LRA. The Tariff should be amended such that all the CAISO-determined allocations are given to each applicable LSE as well as the LRAs.

40.10.2. Allocation of Flexible Capacity Need

In addition to the Flexible Capacity Needs Assessment, the CAISO will calculate and provide to each ~~Load Serving Entity and Local Regulatory Authority~~ ~~it’s~~ the CAISO’s calculation of the allocable share of the total system Flexible Capacity Need, and the contribution of each of the Local Regulatory Authority’s jurisdictional Load Serving Entities to the Maximum Three-Hour Net-Load Ramp used to calculate ~~it’s~~ the LRA’s share of the total system Flexible Capacity Need.

⁵ CAISO Business Practice Manual for Reliability Requirements, Version 18. Exhibit A-1, page 161. http://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM_for_Reliability_Requirements_V18_clean.docx

The CAISO shall provide this information no later than 120 days prior to the date that the annual Flexible RA Capacity Plans must be submitted under Section 40.