

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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## **CAISO Policy Roadmap**

SDG&E appreciates the opportunity to provide comments on the CAISO's 2021 Policy Roadmap. SDG&E generally supports the direction and focus of the initiatives. SDG&E believes the CAISO should focus on improving the current market optimization, keeping energy costs low, and integrating new technologies that will help integrate renewables as we continue to transition to a decarbonized future.

### **Market Optimization Initiatives**

#### **Ancillary Services Verification, Compliance Testing, and Auditing**

SDG&E supports additional examination of the ancillary services verification and testing process. The CAISO should consider issuing testing notices through ADS dispatch rather than just a phone call. A phone call creates a delay that has made it difficult to meet certain testing requirements.

#### **Export Scheduling Priorities**

SDG&E supports reviewing export scheduling priorities because self-scheduled exports served by non-resource adequacy capacity has the same scheduling priority as internal load. This was one of the causes of the August blackouts was a problem with exporting Megawatts (MWs) that Load Serving Entities (LSEs) and paid to procure to meet their RA compliance obligations. As such, SDG&E believes certain non-RA capacity should not be considered available for export because it was procured to meet internal load.

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

The Department of Market Monitoring (DMM) has highlighted the issue of paired virtual supply and virtual demand bids in every annual report for at least the last 7 years.<sup>1</sup> As DMM notes, these are likely a means for betting on congestion that the Day Ahead Market is not accurately modeling. SDG&E supports a clawback rule, which could solve for modeling inaccuracies and potentially save ratepayers money. SDG&E understands that CAISO wants to solve this issue with better modeling in the Day Ahead Market, but such fixes could be difficult and take a long time to implement. We recognize that clawback rules are not ideal, but they are an interim fix that can get ratepayers effective relief on uplifts until the Day Ahead Market is better positioned to handle the issue.

### **Resource Adequacy**

#### **Resource Adequacy Framework**

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<sup>1</sup> 2013: p. 111 <http://www.aiso.com/Documents/2013AnnualReport-MarketIssue-Performance.pdf>  
2014: p. 101 [http://www.aiso.com/documents/2014annualreport\\_marketissues\\_performance.pdf](http://www.aiso.com/documents/2014annualreport_marketissues_performance.pdf)  
2015: p. 121 <http://www.aiso.com/Documents/2015AnnualReportonMarketIssuesandPerformance.pdf>  
2016: p. 135 <http://www.aiso.com/Documents/2016AnnualReportonMarketIssuesandPerformance.pdf>  
2017: p. 133 <http://www.aiso.com/Documents/2017AnnualReportonMarketIssuesandPerformance.pdf>  
2018: p. 134 <http://www.aiso.com/documents/2018annualreportonmarketissuesandperformance.pdf>  
2019: p. 156 <http://www.aiso.com/Documents/2019AnnualReportonMarketIssuesandPerformance.pdf>

SDG&E recommends the CAISO to also perform a holistic review of the current Resource Adequacy paradigm and work collaboratively with the CPUC to maintain reliability in the planning horizon.

SDG&E supports the CAISO's goal of maintaining reliability throughout all hours of the day. As a starting point SDG&E believes the CAISO should prioritize its analysis and study process to understand the level of reliability the current supply fleet is able to achieve and how much difference there is with that level and the RA fleet. This will provide two bookends for stakeholders to understand how much reliability is procured during the planning horizon. Then the CAISO should perform additional analysis to understand how different RA portfolio mixes would be able to achieve different reliability metrics to determine the ideal portfolio mix and planning standards that are needed to achieve the desired reliability objective.

Additionally, SDG&E recommends that the CAISO consider simplicity of implementation to the broader market, not just the CAISO itself, in evaluating proposals. SDG&E further believes the CAISO should postpone consideration of its current UCAP proposal until additional analysis is complete.

### **Rescheduled Outages**

As part of the RA Enhancements initiative, the CAISO was unable to resolve the planned outage process that results in outage cancellations due to lack of substitute capacity provided. SDG&E recommends the CAISO to consider the development of an outage substitution market that would allow market participants a more efficient method to procure the necessary substitute capacity that's required to avoid outage cancellations. This market was supported by many stakeholders during the RA Enhancements initiative.

### **Maximum Import Capability Enhancements**

SDG&E supports and agrees that additional enhancements to the MIC structure should be considered. The CAISO should consider additional methodologies for calculating the MIC that would provide additional import capability to market participants.