

Comments of Pacific Gas & Electric Company

2021 Draft Policy Initiatives Roadmap

Submitted by	Company	Date Submitted
Matt Connolly (mhco@pge.com)	Pacific Gas & Electric	October 22, 2020

Pacific Gas & Electric Company (PG&E) offers the following comments on the California Independent System Operator Corporation's (CAISO) 2021 Draft Policy Initiatives Roadmap, published on September 29, 2020.

PG&E would like to thank CAISO for its efforts in advancing its stakeholder processes in 2020, especially the important work in ESDER4, Flexible Ramping Product Refinements, Hybrid Resources 1&2, and work in System Market Power Mitigation and Resource Adequacy.

As CAISO considers its 2021 Roadmap, PG&E appreciates this opportunity to highlight key initiatives within the Roadmap as well as additional market design issues that we believe call for stakeholder engagement and processes in the near-term.

I. Prioritization of High-Impact Initiatives to Protect California Consumers

PG&E largely supports CAISO's policy direction in the Draft Roadmap. We offer the following comments on initiatives we believe deserve additional prioritization.

1. Day-Ahead System Market Power Mitigation Initiative should be accelerated

The Draft Roadmap proposes to fold the second phase of the system market power mitigation initiative into Bundle 3 of the Extended Day-Ahead Market (EDAM) initiative, starting in Q3 of 2021. PG&E strongly supports a robust stakeholder process for the day-ahead system market power mitigation initiative and believes system market power mitigation is critical to ensuring just and reasonable rates when the market is not competitive. PG&E is concerned that including system market power mitigation into the third stage of a complex and potentially prolonged initiative such as EDAM may delay implementation of important reforms to help ensure sufficient supply. As such, PG&E requests that the system market power mitigation topic be moved into Bundle 1 so that it can be addressed as soon as possible.

2. Resource Adequacy reforms should follow findings in the joint entities' Preliminary Root Cause Analysis

Following the power outages in August, the joint entities' Preliminary Root Cause Analysis identified multiple contributing factors to the power outages and offered several near-term recommendations. PG&E appreciates that the Draft Roadmap reflects key recommendations from the report, including several reforms to California's Resource Adequacy (RA) process.

PG&E agrees with the report's findings that there are key challenges with the current RA program and its planning process. However, it is important to note that simply increasing planning targets would not ensure that the energy will be present during extreme weather events. PG&E supports CAISO's continued attention to the following key RA issues to ensure energy capacity is available when it is most needed:

- Import RA Rules: Import RA rules need to be reexamined to ensure proper incentives are in place for all import RA resources to be available to CAISO in emergency situations rather than flow to higher priced regions. PG&E appreciates that the Draft Roadmap identifies RA Import provisions as a priority for implementation in 2021.
- RA Counting Requirements: PG&E is seeking clarity on the RA accounting performed in the report. PG&E believes CAISO needs to prioritize refining its counting methodologies to ensure California customers have priority to the energy from all such resources (and non-RA imports that crowd out RA imports on congested paths) in emergency conditions, regardless of what is shown for RA. PG&E also has concerns regarding how CAISO accounts for and prioritizes energy from RA resources above their NQC values.
- Updating RA for Net Demand Peak: PG&E agrees with CAISO that the current RA's paradigm around meeting peak demand should be updated to address the difficulty of meeting demand during the most challenging period of net demand peak.

As CAISO continues to analyze the August power outages and prepares a final report, PG&E respectfully requests that CAISO provide transparency on the process and venue for resolving high-priority issues identified by the analysis.

II. Additional Policy and Market Design Issues

PG&E requests that CAISO consider the intersection of initiatives in the Roadmap with the following issues that we believe require additional attention and stakeholder engagement processes.

1. Curtailment of Exports in the RUC Process

The Preliminary Root Cause Analysis identified several key challenges and recommendations that PG&E believes should be resolved as soon as possible through a transparent process to give stakeholders comfort that the issues have been adequately addressed. For example, the report found that practices in the day-ahead energy market exacerbated the supply challenges under these highly stressed conditions and pointed to a variety of sub-drivers, including market failures in the Residual Unit Commitment (RUC) process related to the curtailment of exports.

PG&E appreciates CAISO's efforts to address the inappropriate scheduling of exports through PRR 1282. While this BPM change appears to have partially resolved the issue, PG&E believes that issues may still remain regarding CAISO's current export schedule process and curtailment processes and priorities in real time. These processes should be better defined by CAISO and

should focus on ensuring that CAISO has the ability to curtail exports during reliability events like this past August.

2. Implementation of the Central Procurement Entity process

PG&E is concerned that CAISO has not identified the implementation of the Central Procurement Entity (CPE) process within its formal stakeholder processes. As a designated CPE, PG&E will begin contracting for local RA in less than six months for delivery in the 2023 compliance year. Given the short amount of time before CPE entities must begin negotiating transactions, and the complexity of the new process, PG&E respectfully requests that CAISO engages with CPE entities as soon as possible. We believe CAISO will need to dedicate significant time and resources to implementing CPE processes, and we are eager to begin working with CAISO, alongside the CPUC, to ensure the successful transition to and implementation of this new process.

While PG&E is not requesting CAISO to make CPE the subject of a new stakeholder initiative, we respectfully urge CAISO to ensure that complex, time-consuming issues such as CPE implementation receive adequate attention amidst other stakeholder initiatives and processes.

PG&E recognizes the difficult trade-offs that must be made as CAISO sets its policy initiative agenda. PG&E looks forward to further engagement with CAISO and appreciates the opportunity to participate in the 2021 Roadmap process.