



## Comments of Pacific Gas & Electric Company

Regional Resource Adequacy Initiative – Working Group, August 10, 2016

Submitted by	Company	Date Submitted
Alan Wecker (415) 973-7292	Pacific Gas & Electric	August 24 <sup>th</sup> , 2016

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Regional Resource Adequacy Initiative Stakeholder Working Group meeting on August 10, 2016.

PG&E appreciates the amount of work the CAISO has dedicated to educating regional entities on the existing rules for Resource Adequacy (RA) and how the CAISO works with Local Regulatory Authorities (LRAs) to administer the RA program. As part of this Regional RA Initiative, PG&E requests that the CAISO commit to creating a RA process that values simplicity.

PG&E offers comments on the following topics, in order of priority for PG&E:

1. PG&E requests the CAISO provide greater clarity regarding the process the CAISO has used (and will use going forward) in determining whether a CPM call is made when an uncured RA deficiency has occurred.
2. PG&E requests the CAISO clarify the exact process it uses to determine a local RA deficiency.
3. PG&E requests the CAISO provide greater clarity regarding changes to the Regional RA program that will result from considerations being discussed in other stakeholder processes, especially Reliability Services Initiative.
4. The CAISO should provide more details regarding the factors it proposes to use to calculate a system-wide PRM that will be the basis of its deficiency determinations.

1. PG&E requests the CAISO provide greater clarity regarding the process the CAISO has used (and will use going forward) in determining whether a CPM call is made when an RA deficiency is identified.

PG&E appreciates the CAISO highlighting the difference between the determination of an RA deficiencies and the trigger of backstop procurement by the CAISO. In general, PG&E understands the existence of a RA deficiency does not automatically result in backstop procurement when the deficiency is not cured by LSEs. At the working group meeting the CAISO stated that a 1MW RA deficiency would not trigger CAISO backstopping the deficient procurement through a CPM call. This assertion raises questions regarding the CAISO's criteria for using backstop procurement when there are uncured RA deficiencies, either by single LSEs or on a collective basis.

While PG&E is not questioning the CAISO's need to have discretion in making backstop decisions, the conversation at the working group does raise questions about the parameters surrounding the CAISO's backstop decisions. Understanding the parameters of the CAISO's discretion would be helpful. In light of these discussions, the CAISO should provide information regarding its evaluation process and how in the past the CAISO has determined that backstop procurement was not needed when RA deficiencies have arisen.

Has the CAISO found deficiencies that were not cured by responsible LSEs? If so, what proportion of these deficiencies was due to system-wide deficiencies in contrast to LSE-specific deficiencies? Assuming there were such deficiencies, how large were they? In such cases, what evaluation process did the CAISO use in determining that a backstop call would not be necessary?

Regarding future RA showings: what evaluation process will the CAISO use to decide whether (and how much) backstop procurement should occur when there are RA deficiencies uncured by LSEs?

PG&E notes that the CAISO publishes annual deficiency reports each November, but does not provide follow up reporting of the results of the LSEs' efforts to cure or of the CAISO's decision regarding to backstop or not backstop. PG&E again asks the CAISO to commit in its tariff to provide more information to market participants on the results of the CAISO's Reliability Assessments and whether the CAISO chooses to take action as a result of these assessments. Stakeholders will also be able to use these reports to better understand CAISO procurement costs and processes.

These issues are important because they contribute to uncertainty in the RA process and contracting process between LSEs and generators. As WPTF indicated in the meeting, there are significant implications to capacity costs and compensation from local RA requirements. Greater clarity and transparency regarding the CAISO's determination of backstop decisions are needed, particularly when there are RA deficiencies. PG&E reiterates our comments on the issue of transparency in the Straw Proposal in this stakeholder process:

“PG&E supports the CAISO providing a commitment in its Tariff to provide more information to market participants on the results of the CAISO's Reliability Assessments and what actions, if any, the CAISO takes as a result of these assessments. This information will provide market participants with greater clarity into what activities the CAISO must engage in as a result of the CAISO determination that a reliability need has not been met.”

2. PG&E requests the CAISO clarify the exact process it uses to determine a local RA deficiency.

At the working group, the CAISO attempted to explain the calculation of the deficiency and provide certainty to CLECA's explicit question on this subject. PG&E understood the CAISO's answer to be that the evaluation of local RA was done on a TAC basis and not on a LCA basis.

To provide complete clarity, PG&E offers the following example:

TAC Area	Local Capacity Area	Required (total)	Shown by LSEs (total)	Difference (Required – Shown)
TAC1	LCA1	5 MW	3 MW	2 MW
TAC1	LCA2	10 MW	12 MW	-2 MW
TAC 1	LCA3	15 MW	15 MW	0 MW
Total TAC1		30 MW	30 MW	0 MW

According to the CAISO explanation provided at the meeting, there would not be a local RA deficiency in this example because the CAISO does the evaluation at the TAC level and not at the LCA level. Please confirm the CAISO currently uses the TAC-level aggregation of the LCA requirements and showings to determine a local deficiency, and that the CAISO intends to use this methodology going forward.

PG&E provides an excerpt below from the Evaluation Report of Load Serving Entities' Compliance with 2016 Local and System Resource Adequacy Requirements (November 18, 2015). PG&E notes the CAISO reports deficiencies on a LCA basis and indicates that LCA deficiencies can only be made up by contracting with specific resources in that LCA. This is in contrast to the explanation provided by the CAISO at the working group meeting. Please confirm in the excerpt below, that a contract with the Cabazon Wind Project located in the LA Basin LCA would be effective in reducing the deficiency in the Big Creek/Ventura LCA since that unit would be able to address the TAC-wide deficiency identified.

<b>SCE TAC Area</b>				
1. At this time, individual LSE deficiencies in the SCE TAC Area total 128.98 MW.				
2. Based on the final showings received the ISO projects that there could be a potential collective deficiency ranging from a minimum deficiency of 33.02 MW to a maximum deficiency of 162.00 MW.				
For LA Basin Local Area, an additional 120.00 MW needs to be procured from the following resources in order to satisfy the LCR criteria:				
Mkt./Physical Res. ID	Physical Resource Name	NQC (MW)	Available (MW)	LCR Need
CABZON_1_WINDA1	Cabazon Wind Project	5.98	5.98	Valley-Devers
DEVERS_1_QF	Devers QFs	16.50	0.24	Valley-Devers
GARNET_1_UNITS	Garnet Green Power Proj.	1.37	1.37	Valley-Devers
INDIGO_1_UNIT 3	Indigo Peaker Unit 3	42.00	2.00	Valley-Devers
INLDEM_5_UNIT 1	Inland Empire EC, Unit 1	335.00	18.00	Valley-Devers
INLDEM_5_UNIT 2	Inland Empire EC, Unit 2	335.00	335.00	Valley-Devers
PANSEA_1_PANARO	Mesa Wind Project	0.26	0.26	Valley-Devers
SANWD_1_QF	San Gorgonio Wind Farm	1.75	1.75	Valley-Devers
VALLEY_5_REDMTN	MWD Red Mountain Hydro	1.52	1.52	Valley-Devers
VALLEY_5_SOLAR2	SunE DB APNL, LLC	14.97	14.97	Valley-Devers
WHTWTR_1_WINDA1	Whitewater Hill Wind Proj.	3.97	3.97	Valley-Devers
For Big Creek/Ventura Local Area, an additional 42.00 MW needs to be procured from the following resources in order to satisfy the LCR criteria:				
Mkt./Physical Res. ID	Physical Resource Name	NQC (MW)	Available (MW)	LCR Need
GOLETA_6_ELLWOD	Ellwood Energy Support	54.00	54.00	Santa Clara
GOLETA_6_GAVOTA	Point Arguello Pipeline Co.	0.68	0.68	Santa Clara
MNDALY_7_UNIT 1	Mandalay Gen Sta. Unit 1	215.00	215.00	Santa Clara
MNDALY_7_UNIT 2	Mandalay Gen Sta. Unit 2	215.29	215.29	Santa Clara
MNDALY_7_UNIT 3	Mandalay Gen Sta. Unit 3	130.00	130.00	Santa Clara

3. PG&E requests the CAISO provide greater clarity regarding changes to the Regional RA program that will result from considerations being discussed in other stakeholder processes, especially those associated with Reliability Services Initiative.

At the stakeholder meeting there was considerable confusion created as a result of issues that had been discussed or are currently being discussed in other CAISO stakeholder initiatives. The CPUC had a number of questions regarding the CAISO timeline since it did not conform to the current RA timeline. Likewise, SDG&E had questions about how the CAISO’s proposed treatment of local showings in the RS12 stakeholder process would interact with the determination of LSE local deficiencies and CAISO backstop procurement.

Regarding the CPUC’s question, the CAISO had to explain that the timeline was a result of changes from the RS11 stakeholder process that had been approved by the CAISO board, but not yet filed with FERC, and that the CAISO assumed FERC would approve the timeline. PG&E asks that assumptions

such as this be included explicitly in the proposal and/or presentation materials. Such documentation would reduce confusion in the process.

Regarding SDG&E's questions, the CAISO's answer was that it was uncertain and to be determined in the RSI2 stakeholder process. Given the CAISO's proposal to change the definition of (and requirements for) local capacity in the RSI2, and this stakeholder process discussion of the determination of local RA deficiencies, the CAISO should commit to addressing crossover issues in both stakeholder processes.

4. The CAISO should provide more details regarding the factors it proposes to use to calculate a system-wide PRM that will be the basis of its deficiency determinations.

Slide 38 of the CAISO's presentation seemed to suggest the CAISO is proposing a 123% PRM for the expanded area. This is in contrast to the 115% PRM currently in effect under the existing RA program in California. While PG&E understands the slide was for illustrative purposes, the CAISO did assert that the PRM should be based on the maximum forecast error (5%) and maximum forced outage rates (12%) it has experienced. The CAISO did not specify the time periods that these maximums occurred.

PG&E requests the CAISO provide more information regarding the relationship between the forecast errors and forced outage rates. PG&E also requests that the CAISO explain how it believes the correlation of these determinants should be accounted for in the determination of the PRM. A perfect negative correlation between these factors is likely to have very different implications than a perfect positive correlation. Given that the CAISO is using these values for illustrative purposes in the presentation, it should acknowledge the role of the correlation and include information regarding the relationship between the variables.