



Comments of Pacific Gas and Electric Company

On Exceptional Dispatch Mitigation in Real-time Straw Proposal

Submitted by		Company	Date Submitted
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1. Introduction

Pacific Gas & Electric (“PG&E”) appreciates the opportunity to participate in the stakeholder process for the California Independent System Operator’s (“CAISO”) Exceptional Dispatch (“ED”) Initiative and to submit comments regarding the CAISO’s July 20th Straw Proposal.

In summary, PG&E:

- Supports the CAISO’s proposal to use historical data to create a set of path designations that are used in applying mitigation to ED.
- Supports the CAISO’s proposed two-criterion test to determine competitiveness of most constraints.
- Does not support the CAISO’s proposal for a less stringent application of the two-criterion test to determine the competitiveness of Paths 15 and 26. The same application as used for the other constraints should be used for these paths. The CAISO and stakeholders can consider a relaxation of the test for Paths 15 and 26 after the CAISO accumulates historical competitive data through the dynamic competitive path assessment.

2. Summary of CAISO Straw Proposal

Under existing rules, EDs are subject to mitigation¹ when they are used to manage a non-competitive constraint.² The competitiveness of a constraint is tested using a CPA. In spring 2013, the CAISO will begin using a dynamic CPA based on that would be applied in Real-

¹When an ED is made for this reason, the price is mitigated to the lower of the resource’s Default Energy Bid or LMP

² The other two reasons (which are not the subject of this proposal) are when EDs are used to make available stranded Ancillary Services and RUC capacity that is procured in the Day Ahead.

Time Unit Commitment (“RTUC”). This is in contrast with the current CPA methodology, which is based on static seasonal off-line studies.³

Making this change is expected to result in more accurate identification of non-competitive constraints; however, it will also create a gap in determining which EDs may be the result of exercising local market power. This is because most EDs are preemptive and are made to relieve anticipated congestion such that it does not materialize in the market. Thus, it is possible for EDs to be awarded before the completion of the dynamic CPA in RTUC.

In order to resolve this issue, the CAISO proposes to use historical data from the most recent 60 trading days produced by the dynamic CPA to create a set of path designations that are used in applying mitigation to EDs:

- A constraint is competitive (and mitigation would be applied to EDs) if both of the following criteria are met:
 - Congested in 10 hours or more, and
 - Deemed as competitive by LMPM 75% of time or more

If both of the criteria are not met, the path would be deemed as non-competitive, and the ED would be mitigated.⁴ Constraints congested less than 10 hours would be considered non-competitive.

An exception to the two-criterion test will apply to Path 15 and Path 26.⁵ These two paths will be considered competitive unless the constraint was congested in 10 or more hours in the test period and was deemed non-competitive less than 75 percent of the time. **Unlike the other constraints, if these paths are congested less than 10 hours they would be considered competitive.**

3. PG&E Comments

PG&E supports the CAISO’s proposal to use historical data to create a set of path designations that are used in applying mitigation to EDs.

As the CAISO described, the timing of the dynamic CPA will make it impossible to determine whether a resource awarded that is awarded an ED is capable of exercising market power. Therefore, it is reasonable for the CAISO rely on a pre-designated list of non-competitive constraints to use for mitigating EDs.

³ Currently a static list exists that is the outcome of a CPA performed four times each year by the Department of Market Monitoring.

⁴ For example, if a path was determined to competitive 80% of the time during the last 60 trading days, but only experienced 9 hours of congestion, it would be treated as a non-competitive path for purposes of mitigating EDs.

⁵ The CAISO asserts since these are major paths located near a large amount of generation, they are less likely to be affected by local market power. Because of this the CAISO proposes different treatment.

PG&E supports the CAISO's proposed two-criterion test to determine competitiveness of most constraints.

The two-criterion test proposed by the CAISO is a reasonable way to determine the competitiveness of constraints with historical data. Although the threshold values in the criteria (i.e., 10 hours and 75%) are not supported by analysis, these also appear reasonable.

PG&E does not support the CAISO's proposal for a less stringent application of the two-criterion test to determine the competitiveness of Paths 15 and 26.

The CAISO proposes a different application of the two-criterion test for Paths 15 and 16. Unlike other constraints, if the paths have less than 10 hours of congestion, these paths are deemed competitive. The CAISO asserts since these are major paths located near a large amount of generation, they are less likely to be affected by local market power.

Although PG&E appreciates the CAISO's rationale for different treatment, the CAISO has not presented historical dynamic CPA data (from RTUC) to support this different approach. PG&E recommends a more conservative approach until the CAISO has accumulated historical data to justify a more relaxed treatment. Specifically, PG&E recommends Paths 15 and 16 be treated as other constraints initially. After the CAISO accumulates historical competitive data through the dynamic competitive path assessment, the CAISO and stakeholders can consider a relaxation of the test for Paths 15 and 26.