

Comments of Pacific Gas and Electric Company

Subject: 2011 CRR Enhancements

Submitted by	Company	Date Submitted
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PG&E appreciates the opportunity to provide comments on the 2011 CRR Enhancements Revised Draft Final Proposal and the 2011 CRR Enhancements Draft Final Proposal presentation (both dated May 20, 2011).

PG&E has the following comments regarding proposed 2011 CRR Enhancements Revised Draft Final Proposal.

Load Migration Issues

PG&E supports CAISO's efforts to convene a working group to deal with load migration issues exclusively.

PG&E refers to its Straw Proposal comments dated May 2, 2011 for more detailed comments.¹

Revenue Adequacy Issues

CAISO has proposed two methodologies to better achieve revenue adequacy. One is proposed for the annual CRR process while the other is proposed for the monthly CRR process.

PG&E Supports the Annual OTC Methodology

PG&E supports the CAISO proposal for establishing OTC amounts in the annual process. Summarizing the proposal, using three years of historical data, CAISO will determine a "break-even" point for each eligible intertie which is the amount of CRRs that would have resulted in revenue neutrality, on that same path, over the historical period. The benefits of this proposal is that it will allow CAISO to better manage revenue adequacy by focusing on specific interties which have historically been the primary source of revenue

¹ *Comments of Pacific Gas and Electric Company Subject: 2011 CRR Enhancements* (May 2, 2011), p.2, <http://www.caiso.com/2b73/2b7384da1d3e0.pdf>

inadequacy. In addition, the proposal reduces cross subsidization of CRR revenues between interties.

PG&E Supports the Monthly OTC Methodology with Reservations

CAISO proposes to apply “local de-rate factors” to paths that were subject to the OTC methodology in the annual process and retain the global derate factor for all other monitored paths. In its rationale, CAISO stated “Stakeholders did highlight that it may be more appropriate for the ISO to consider applying a local de-rate factor for capacity which was subject to the annual OTC breakeven duration curve methodology.”²

PG&E’s proposal for the monthly process is very similar to CAISO’s proposal. PG&E proposed “setting the Monthly Capacity to the TTC less planned outages (specific outage modeling rules to be determined). The difference would be multiplied by a historical forced outage rate for that interface for the specific month.” CAISO’s proposal replaces PG&E’s “forced outage rate” with “local de-rate factor.” Semantics notwithstanding, PG&E is concerned that CAISO’s commingling of terms will result in the continuation of the Global De-Rate Factor (GDF) which CAISO and market participants have described as “blunt” and “ineffective.”

PG&E proposed the use of Local De-Rate Factors (LDRFs). As envisioned by PG&E, the LDRFs would replace the GDF. PG&E originally stated:

CAISO should analyze factors which contribute to revenue shortages including but not limited to nominal voltage level, TAC area, TOU period, historical congestion data and historical LMPs. PG&E proposes that CAISO share the analysis with stakeholders and jointly develop criteria to establish LDRFs.

PG&E proposed that the LDRFs be calculated with the specific goal of addressing revenue inadequacy by utilizing less generalized de-rate factors. LDRFs could be applied to transmission facilities in proportion to their contribution to revenue inadequacy. Although CAISO applies their version of the LDRF to interties which have historically contributed the most to revenue inadequacy, the factors are defined as “adjustments to compensate for the expected impact of Outages that are not required to be scheduled thirty (30) days in advance, including unplanned transmission Outages.”³ No mention is made to revenue shortage or contribution to revenue shortages. It appears CAISO has proposed a loosely defined forced outage rate, appropriated the term “local de-rate factor”, abandoned PG&E’s motivation behind the LDRFs and attempted to preserve the most criticized aspects of the GDF.

Problems with the GDF include its lack of transparency and its application to all transmission facilities. CAISO’s proposal exempts interties from the GDF but leaves all

² 2011 CRR Enhancements Revised Draft Final Proposal, p.6.

³ 2011 CRR Enhancements Revised Draft Final Proposal, p.7.

transmission facilities wholly within the balancing area subject to the GDF. This metes out equal de-rates for all facilities regardless of their contribution to revenue inadequacy. CAISO should be looking for opportunities to eliminate the GDF but instead perpetuates it. Additionally, CAISO's broad definition for its LDRF allows wide latitude which could lead to a non-transparent process in setting the values.

Despite these issues, PG&E recognizes that the monthly OTC methodology is an improvement over the current process and cleanly integrates with the proposed annual OTC methodology. For these reasons, PG&E supports the monthly OTC methodology but would ask CAISO to reconsider PG&E's original vision for the LDRFs.

Issues Requiring Tariff Clarification

PG&E supports revised tariff language to clarify the issues identified in Section 5.4 of the Revised Draft Final Proposal Paper.

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For follow-up or questions, please contact Dan Sparks (415-973-4130) or wds6@pge.com.