

Comments of Pacific Gas and Electric Company Deliverability Requirements for Clusters 1-4

Submitted by	Company	Date Submitted
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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for the California Independent System Operator’s (CAISO) initiative on Deliverability Requirements for Clusters 1-4. While PG&E understands that the CAISO intends to implement this proposal through a Technical Bulletin on January 31, PG&E suggests that some of the details in this proposal warrant further consideration before being implemented.

Comments

Projects that are commercially operational or have executed Power Purchase Agreements (PPAs) should not be considered “new”, and should therefore maintain their priority with respect to Net Qualifying Capacity (NQC) in future deliverability studies

At the stakeholder meeting on January 17, CAISO suggested that for the purposes of defining which projects could be subject to NQC adjustments, “new” should be defined as projects that still have the ability to take the risk of an NQC adjustment into account when negotiating commercial terms with a Load Serving Entity (LSE). In PG&E’s view, “new” should not apply to executed PPAs between a developer and an LSE, or projects that are already commercially operational as of March 2012.

PG&E believes the definition of this criterion is critical because the RA value that a project is able to provide is one of the key value streams embedded within the levelized \$/MWh energy price in a PPA with a renewable generator. If executed PPAs were considered “new” and therefore had no priority with respect to NQC in future deliverability studies, then there would be a greater risk that the NQC could be adjusted downward, and that the RA value assumed in the levelized \$/MWh price could be diminished, which could disadvantage ratepayers by providing less RA value than the LSE had assumed in the executed contract.

It is unclear how the CAISO expects LSEs to coordinate with each other to stay within the limits of available deliverability capacity

On p.3 of the CAISO's proposal, the CAISO states that "LSEs could avoid triggering the need for these problematic upgrades by limiting their procurement of renewable PPAs in certain areas of the grid to stay within the [available deliverability capacity] amounts indicated by the ISO."

While there is a presumption that the deliverability capacity limits provided by the CAISO will help inform procurement decisions, it is unclear how multiple LSEs procuring from the same areas are expected to legally coordinate with each other to stay within these limits. Public information about the locations that LSEs are procuring from is not available until PPAs are signed.

While PG&E understands the CAISO's intended goal of limiting the occurrence of NQC adjustments when procurement in an area exceeds the available deliverability capacity, the CAISO proposal does not provide a mechanism to implement this vision. Because LSEs are not able to coordinate their procurement activities with one another, there will be a high degree of uncertainty with respect to whether or not the limits of available deliverability will be exceeded, and by how much. This uncertainty represents a risk that would likely need to be incorporated into future bid evaluations and contract negotiations, and could result in higher costs.

PG&E requests that the CAISO evaluate whether an allocation of deliverability capacity to LSEs, which was described in an earlier proposal for TPP-GIP Integration for Clusters 5+, would be possible for Clusters 1-4. By helping LSEs to ensure that projects they sign contracts with will get their full NQC value, this type of allocation could improve an LSE's ability to manage the risk of downward NQC adjustments when negotiating commercial terms related to RA value.

More specific information is needed in the list of network upgrades CAISO proposes to remove from the Cluster 1 and 2 Deliverability Studies

PG&E requests that the CAISO provide additional details to ensure clarity about the components of the network upgrades that are affected.

On p.7 of its Revised Discussion Paper, the CAISO lists five (5) network upgrade project names that it intends to remove from the Cluster 1 & 2 studies based on the fact that they exceed the cost thresholds as defined in the paper. However, it is not clear which components of the network upgrades are included in these project names. For example, does the "Red Bluff-Valley 500kV line" include the substation, or only the line itself? In the final Technical Bulletin, upgrades should be described in sufficient detail, which should be comparable to the information included in the Phase 2 studies themselves.

The CAISO should provide a list of queue numbers for projects potentially impacted by each network upgrade it proposes to remove from the Cluster 1 and 2 Deliverability Studies

PG&E requests that the CAISO provide a list of queue numbers which CAISO anticipates will be impacted by the identified network upgrades proposed to be removed from the Cluster 1 & 2 Deliverability Studies. This will enable LSEs to evaluate the impact to specific projects under negotiation or projects with executed contracts. Currently, it is not clear to PG&E which projects may be directly or indirectly affected by this proposal.

Similarly, PG&E supports another stakeholder's suggestion from the January 17 Stakeholder meeting that the CAISO should provide a list of projects which will not be affected so parties can make faster progress in GIA negotiations.

The CAISO should provide more detail on how commercial developments will feed into subsequent TPP base cases

The CAISO proposal explains that in situations where available deliverability capacity in a given area is oversubscribed, projects in that area will have their NQC adjusted on a pro-rata basis, and the excess generation will flow into the resource portfolio the CAISO uses as its TPP base case in the next TPP cycle.

At the January 17 Stakeholder meeting, CAISO staff acknowledged the need for commercial activity to play a role in determining the resource portfolios, but stated that this commercial activity had to be "strongly evidenced". The CAISO should develop explicit criteria for what it means by "strongly evidenced" to give stakeholders assurance that the network upgrades required to enable the deliverability of the full NQC value of generation in oversubscribed areas will be identified in the next TPP cycle.

PG&E suggests that an executed PPA should constitute sufficiently strong evidence that the project is commercially viable and therefore all executed PPAs should be included in the TPP base case.

The CAISO should provide more detail on how it plans to define the criteria for earlier queued projects "at risk of not being developed"

PG&E supports the goal of removing earlier queued generation projects that do not have PPAs and are highly unlikely to sign PPAs in the future. However, PG&E believes that the CAISO should not be in the position of evaluating the viability of executed PPAs. The CAISO should describe in more detail which subset of projects it plans to evaluate, and under what circumstances it plans to do so. PG&E suggests that projects with executed PPAs should not face this scrutiny unless they miss specific milestones within their PPAs or GIAs.