



Comments of Pacific Gas and Electric Company 2013 Stakeholder Initiatives Catalog

Submitted by	Company	Date Submitted
Maureen Quinlan (415) 973-4958 Partha Malvadkar (415) 972-5482	PG&E	October 29, 2013

Pacific Gas and Electric Company (PG&E) offers the following comments in the stakeholder process for the California Independent System Operator’s (CAISO) 2013 Stakeholder Initiatives Catalog (“Catalog”).

PG&E suggests the addition of five initiatives which are discussed below:

1. Integration of the Integrated Forward Market and Residual Unit Commitment
2. Identify Operating Characteristics of Preferred Resources and How They Contribute to Local Resource Adequacy
3. Estimating Cost Impacts of Transmission Outages to Inform Transmission Outage Process
4. Ancillary Services Enhancements
5. Greater Transparency on CAISO Model Changes

PG&E also includes recommendations for improving the Catalog process going forward and several comments/requests concerning existing initiatives in the Catalog.

PG&E recognizes that the CAISO will undertake stakeholder processes and/or implementation of several initiatives in 2014 that will require significant commitment of CAISO resources. This includes the Energy Imbalance Market (EIM), Flexible Resource Adequacy Criteria and Must Offer Obligation (FRAC-MOO), FERC Order 764, Flexible Ramping Product, and the Joint Reliability Framework (JRF). Given the time and resource constraints that the CAISO will face, PG&E recommends focusing on these implementation efforts in the coming year, and prioritizing one new initiative - Real-time Congestion Uplift Cost Allocation – which can be addressed easily within the limited available time.

Process Improvements

1) Develop a Process to Review the CAISO Roadmap Throughout the Year as Priorities and Workload Changes

The Catalog and its annual prioritization results in a road map of design priorities for the upcoming year. New projects may arise during the course of the year that could result in delaying the road map initiatives. Examples of such new projects that draw resources away from road map initiatives include the EIM or FERC-mandated developments.

PG&E recommends that the CAISO report out quarterly to stakeholders on its progress on moving the road map initiatives forward and provide stakeholders the opportunity to provide feedback on the CAISO's progress. The CAISO's quarterly report out could be done as part of the Market Performance and Planning Forum. The quarterly report could also be used as an opportunity to alert stakeholders of any major change on the initiatives on which it plans to work and provide stakeholders the opportunity to provide feedback on proposed change in priorities. In summary, the quarterly road map report helps do the following: 1) makes the road map a living document that is revisited throughout the year, 2) provides additional discipline in the design process, 3) provides transparency to stakeholders when the CAISO plans to make significant change in priorities, and 4) gives stakeholders the opportunity to provide feedback on significant changes in priority or other large deviations from the road map.

2) Technical Bulletins

We also recommend that Technical Bulletins that result in a stakeholder process should be included and documented in the Catalog to offer greater process visibility and ensure completeness of the Catalog.

Addition of Discretionary Initiatives Not Listed in the Catalog

1) Integration of the Integrated Forward Market and Residual Unit Commitment in the Day Ahead Market

Integration of the Integrated Forward Market (IFM) and the Residual Unit Commitment (RUC) in the DAM has previously been described as planned work by

CAISO in the 2011 Catalog. PG&E supports the integration of IFM and RUC as it would improve the efficiency of the RUC process under current conditions. Integration would provide even greater benefits under high renewables penetration, as it would help to prevent over-generation due to CAISO over-commitment in the RUC process. It will also help to prevent potential conflicts between RUC and flexible ramping product procurement by CAISO in the DAM.

2) Identify Operating Characteristics of Preferred Resources and How They Contribute to Local Resource Adequacy

The CAISO and the CPUC have several efforts intended to define enhancements to RA requirements, including rules for counting resources for local RA, flexible and non-flexible or generic RA. Those efforts unfortunately lack an agreed or adopted quantitative framework for measuring the contribution of resources (supply or demand-side resource) towards RA requirements. As a result, enhancements to requirements and rules for measuring a resource's contribution towards those requirements are often done on an ad-hoc basis and without much coordination. Examples include:

- CAISO's consideration of alternatives to transmission or conventional generation to address local needs.
- CAISO's Flexible Resource Adequacy Criteria and Must-Offer Obligation
- CPUC Energy Division's proposal for Qualifying Capacity (QC) and Effective Flexible Capacity (EFC) Calculation Methodologies for Energy Storage and Supply-Side DR Resources.
- CAISO's deterministic and probabilistic assessment of system needs for generic and flexible capacity in the 2012 Long Term Procurement Plan (LTPP) Track 2, now closed but likely to be part of the next LTPP cycle.

PG&E recommends a parallel effort to develop analytical frameworks for measuring the system requirements for different types of capacity, quantifying the system need for different types of capacity (where need is the difference between system requirements and resources available to meet requirements), and calculating the contribution of different resources (supply and demand-side resources) to meet system requirements and needs. PG&E also recommends greater coordination among these efforts.

3) Estimating Cost Impacts of Transmission Outages to Inform Transmission Outage Process

PG&E requests that CAISO provide the requesting Participating Transmission Owner (PTO) additional information on the economic/market impacts of transmission outages. This information would include but not be limited to the results of its pre-DAM modeling of planned transmission outage work such as Locational Marginal Prices (LMPs) and constraint shadow prices. Additionally, PG&E requests that the CAISO work with the PTOs to determine whether additional actionable information should be provided to the PTOs on the expected economic impacts of the proposed outage and expected economic impacts of alternative outage times (e.g., start and end times). Based on the CAISO's modeling of the market impact of planned work, the applicable PTO could assess the feasibility of taking operational steps to mitigate the expected financial impact of planned outages before work actually begins.

4) Ancillary Services Enhancements

Several changes have been suggested by PG&E in the past to improve the procurement and use of Ancillary Services (A/S). Specifically, preventing non-contingent A/S to be converted to contingent A/S in the RTM when incremental reserves are procured to maintain the flexibility of a non-contingent designation; and changing the contingency flag to an hourly designation instead of a daily designation to provide additional flexibility for both market participants and the CAISO.

In the December 2011 Catalog, the CAISO indicated support; however, the CAISO stated that "This is considered an operational enhancement rather than a market design effort. It is being addressed in the RI-MPR Phase 2 effort". Given the delayed status of RI-MPR phase 2, PG&E requests that some action (other than taking them out of the catalog) should nonetheless be taken to address these market enhancements, even if these were to be included in an alternative stakeholder initiative.

5) Greater Transparency on CAISO Model Changes (e.g. enforcements of major constraints)

The CAISO should engage stakeholders in a formal process to improve transparency and collect feedback when considering a major change to their market model. For example, on Sept. 20, 2013, the CAISO issued a Market Notice stating that it would un-enforce the SCE_PCT_IMP_BG constraint in the Day Ahead Market (DAM) and

Real Time Market (RTM) effective Oct. 1, 2013. We recognize that system needs change frequently, and that model enhancements need to be considered. However, those changes need to be carefully considered. Based on stakeholder feedback provided at the CAISO's Market Performance and Planning (MPP) Forum on Sept. 24, 2013, several parties were concerned about the lack of transparency with which the study supporting the change was conducted, and the lack of answers to questions regarding the impacts on system performance resulting from the change. PG&E recommends the CAISO adopt a process that gives stakeholders an opportunity to understand the reasons for proposed changes, and their pros and cons, before the changes are announced or adopted by public notice.

Review of Discretionary Initiatives for Completeness

1) 8.5 Standard Capacity Product for Demand Response

The CAISO has yet to address the incentive mechanism for demand response (DR) resources as required by FERC. This incentive mechanism should be aligned with those of other resources and be coordinated with other incentive mechanisms for other resource adequacy services such as flexibility. Consequently this initiative should be implemented at the same time FRACMOO is scheduled to go live.

2) 11.3 Electric Vehicle Charging Station Demand Response Product

PG&E believes that the Catalog describes a product significantly broader in scope than simply electric vehicle (EV) charging stations. PG&E is interested in this product and requests that the CAISO provide more specific information on the intent and methodology for this new product. In particular, PG&E is interested in the CAISO's proposal to combine the rather different non-generating resource (NGR) and proxy demand resource (PDR) frameworks, as NGR uses a "buy-your-baseline" and a very direct approach for demand-side involvement in the wholesale market while PDR uses a historical baseline methodology and a less direct engagement with the CAISO. Also, PG&E believes that renaming this initiative in order to encapsulate its broad reach for all demand-side resources would be appropriate (such as "Demand-Side Management (DSM) product").

3) 8.7 Voluntary Demand Response Auction

PG&E does not support the prioritization of this initiative at this time, as the CAISO has not adequately stated why this effort is needed. There are a number of issues that need to be addressed before including this work stream for consideration.

- The CPUC has not yet approved such an auction.
- Any potential benefits of such an auction have not been demonstrated.
- IOUs already competitively procure much of their DR.
- As the proposed auction will be voluntary, only a portion of market participants will benefit. The CAISO's adopted principle of cost causation requires those who cause costs or gain from the benefit should pay for it. Consequently, development and operation of this program should not be paid for by all market participants.

4) 7.1 Allowing Convergence Bidding at CRR Sub-LAPs

PG&E requests the CAISO add to the catalogue additional information describing the need/benefits of allowing Convergence Bidding at CRR sub-Laps. PG&E also requests a brief description included in the catalogue on concerns around allowing Convergence Bidding at CRR sub-Laps.