

Comments of Pacific Gas & Electric Company

Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements Revised Straw Proposal

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator’s (CAISO) Capacity Procurement Mechanism Risk-of-Retirement (“CPM ROR”) Process Enhancements Revised Straw Proposal (posted on August 8, 2017).

PG&E appreciates the CAISO’s efforts to improve the risk-of-retirement process and the opportunity to comment on the following concerns which are highlighted below and captured in further detail in the subsequent section:

1. PG&E requests the CAISO consider how the reliability assessment for Type 2 and Type 3 CPM ROR designations within the same area are evaluated. PG&E believes the types must be evaluated together to ensure that resources with the best characteristics and lowest costs are granted the designations.
2. PG&E contends that the CAISO specify the process interplay between the Temporary Shutdown of Resource Operations (TSRO), Reliability Must Run (RMR), and the CPM ROR to ensure the various mechanisms are designed to work properly.

Type 2 and Type 3 CPM ROR designations within the same area should be evaluated together to ensure that resources with the best characteristics and lowest costs are granted the designations. The Revised Straw proposal enables generators to seek a Type 2 CPM ROR designation in the April window if it can demonstrate that its costs are above the CPM soft-offer cap and that it has participated in the applicable solicitations. The conditional designation for a resource applying in 2018 would be based upon a reliability need identified in 2020. A resource seeking Type 3 CPM ROR designation in the November window wouldn’t have to demonstrate the same requirements but if it applied for the designation in 2018 the reliability need would be based upon 2020. As such, CAISO’s proposal should address how the CAISO will evaluate or reevaluate resources that reside within a local area having similar impact on the reliability constraint applying under these circumstances. The process should be designed so that early designations aren’t given to resources that don’t have the lowest costs or best reliability characteristics.

In addition, the process interplay within this initiative of Type 2 and Type 3 CPM ROR designations further highlights the risks of only evaluating resources imminently at risk of retirement rather than considering the entire portfolio. This process could result in the retirement of a resource that has a lower cost and better reliability characteristics than another resource that may need to make the designation request in the following window and would have to be retained to maintain reliability. The narrow scope of enhancing this existing process may result in the procurement of resources that don't have the best characteristics and supports the need for a more comprehensive process of determining which resources to retain/retire.

The CAISO's Proposal should consider the process interplay between the Temporary Shutdown Resource Operations (TSRO), Reliability Must Run (RMR), and the CPM ROR to ensure the interplay between the various mechanisms works properly.

PG&E requests that the CAISO provide a single process map showing how retirement, RMR, temporary shutdowns, and CPM ROR designations will be evaluated within each of the windows within the process. Without understanding how the proposed process enhancements will interact with each of the available options it is difficult to comprehend how unintended market outcomes will be avoided.

In addition, PG&E offers the following comments on the Revised Straw Proposal using the CAISO template:

1. Who Can Apply

Comments:

No comment.

2. Timing of Requests for Designation - Windows

Comments:

PG&E understands the CAISO position that the CPM ROR payment be based on cost of service. However, if a resource is granted a conditional CPM in April, it does not have an incentive to bid competitively when it knows it can receive cost-of-service recovery. A resource that can demonstrate that their costs are above the CPM soft-offer cap will not have the incentive to seek cost saving measures to bid more competitively with the designation guarantee.

3. Process for Study and Procurement

Comments:

PG&E requests that the CAISO confirm that the report posted for resources eligible for CPM ROR designation will specify the study assumptions and analysis used to support the reliability

need. The Revised Straw Proposal also indicates that “If no LSE procures the specific resource that was identified by the CAISO as needed for reliability, the CAISO may then procure the resource as CPM ROR capacity.” Additional clarity is needed to understand the circumstances when the CAISO would not choose to procure a resource as CPM ROR Capacity if no LSE procures the resource identified by the CAISO as needed for reliability. In addition, PG&E asks that the CAISO clarify in its proposal the types of studies that will be used to determine the reliability need.

4. Application Requirements, Timelines and Reliability Studies

Comments:

PG&E encourages the CAISO to consider in its proposal how Type 2 and Type 3 CPM ROR designations for the same area or providing similar system support might give a competitive advantage to resources that seek an early designation but may not have the lowest cost or best reliability characteristics.

5. Selection Criteria when there are Competing Resources

Comments:

PG&E recommends that the CAISO consider how the reliability assessment for Type 2 and Type 3 CPM ROR designations with a local area or providing system support are evaluated together to ensure that resources with the best characteristics are granted the designations. This also highlights the risk of narrowing the scope to resources that are requesting CPM ROR designations, the proposed process ignores that resources with longer contracts may have higher costs and poorer reliability characteristics than those currently at risk-of retirement.

6. Term and Monthly Payment Amount

Comments:

No comment.

7. Cost Justification

Comments:

No comment.

8. Decision to Accept

Comments:

No comment.

9. Cost Allocation

Comments:

No comment

10. RA Credits

Comments:

PG&E appreciates the clarification that a provision for CPM ROR procurement credits is already included within the CAISO tariff. PG&E requests that the CAISO provide additional clarity on how a resource that receives a Type 1 designation will count towards the LSE requirement for the balance-of-year determinations to prevent overprocurement due to previous LSE showings.

11. Other Comments

Please provide any additional comments not associated with the topics listed above.

Comments:

No comment.