

## Comments of Pacific Gas & Electric Company Frequency Response Draft Final Proposal

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Pacific Gas and Electric Company (PG&E) appreciates the opportunity to submit comments on the California ISO’s frequency response draft final proposal, which was posted on February 4<sup>th</sup>, 2016. Working with the ISO and other stakeholders, PG&E will continue to strive for high standards of grid reliability at an affordable cost for its customers.

### Summary

- PG&E generally supports the ISO’s proposal to procure transferred frequency response, but PG&E wants to ensure that the ISO’s competitive solicitation process is in fact competitive, and that parties will have the opportunity to intervene if they don’t think that the contract price and terms are appropriate.
- PG&E generally supports the ISO’s proposal related to governor and plant control requirements, but PG&E seeks additional clarity on a couple of the details.
- PG&E encourages a phase 2 stakeholder initiative, so that a longer-term solution can be developed.

### Procurement of Frequency Response from BAs in the Western Interconnection

As a short-term solution, PG&E generally supports the ISO’s phase 1 proposal to procure transferred frequency response from other balancing authorities in the Western Interconnection, via a competitive solicitation process. Recent studies show that the Western Interconnection has surplus frequency response capability, and so PG&E supports taking advantage of this capability. Furthermore, since the ISO has less than ten months before compliance with NERC BAL-003-1 begins, it is logical to use transferred frequency response as a short-term solution, buying the ISO additional time to design and implement a longer-term solution.

In its draft final proposal, the ISO provided a number of details related to its proposed competitive solicitation process. PG&E found these details helpful and supports much of the proposed process and timeline. However, PG&E has concerns about a few specific aspects of the proposal:

- PG&E wants to ensure that the competitive solicitation process is in fact competitive. More specifically, PG&E suggests that the ISO outlines steps to ensure that any potential market power is fully mitigated.

- On a similar note, PG&E wants to ensure that the competitive solicitation process yields truly competitive offer prices. The ISO has proposed comparing the offer prices to the hypothetical cost of using exceptional dispatching to meet BAL-003-1. PG&E would like to better understand how the ISO will calculate the hypothetical cost of using exceptional dispatching. This is important, since it will be the foundation of the ISO's backstop against procuring inefficiently expensive transferred frequency response.
- Finally, PG&E wants to ensure that all parties will have sufficient opportunity to intervene to ensure that the contract price and terms are just and reasonable.

### **Requirements for Participating Synchronous Generators with Governors**

PG&E generally supports the ISO's proposal related to governor and plant control requirements for participating synchronous generators. PG&E appreciates that the ISO is looking at such resources and clarifying requirements, which will ultimately help the ISO develop a longer-term (i.e., phase 2) solution. However, PG&E has a few specific concerns/questions:

- PG&E requests further detail related to the requirement of "power output changes in one second for any frequency deviation outside of the deadband." More specifically, PG&E would like to better understand the basis for this requirement and how exactly this requirement will be measured.
- PG&E does not yet fully understand the ISO's proposal related to outer-loop controls and when exactly it is acceptable for such controls to override governor response; therefore PG&E requests further clarity from the ISO on this issue. As the ISO knows, certain types of generating plants have physical constraints that force them to be non frequency responsive.
- With respect to the ISO's proposed Masterfile changes, PG&E requests that the ISO specify when such changes might be implemented and approximately when the ISO will be requesting the resource-specific data.
- With respect to spinning reserve certification requirements, PG&E requests that the ISO clarify if the ISO is going to modify its Appendix K language to remove the references to frequency response. Since spinning reserves and frequency response are different reliability services, PG&E believes that the CAISO's tariff language should keep the two services separate.

### **Frequency Response Phase 2**

PG&E requests that a phase 2 initiative be launched in parallel with phase 1, so that the ISO has adequate time to design and implement a longer-term solution before December 2017, when the second year of NERC compliance begins. The schedule is important to PG&E, because we want to ensure that the ISO is not forced (due to timing) into procuring a second year of transferred frequency response (unless it turns out that it is more cost effective to do so).

With respect to the scope of phase 2, PG&E supports examining a range of potential solutions including:

- Frequency response performance requirements for synchronous and non-synchronous generators, unless the resource is an existing<sup>1</sup> non-synchronous resource or there is a physical limitation associated with safety or regulatory compliance.
- Amended pro-forma interconnection agreements to require new resources to have frequency response capabilities.
- Reserved frequency response headroom (positive and negative) through an adjustment (i.e., added constraint) to the ISO's optimization.

Additional note: the ISO may want to align its phase 2 with the ideas (and potential rule-makings) coming out of FERC's recently launched initiative on frequency response. In its February 18<sup>th</sup> [Notice of Inquiry](#), FERC outlined a number of potential longer-term solutions for frequency response.

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<sup>1</sup> "Existing" should be defined as any resource that is already interconnected or is currently in the interconnection queue