



PG&E's Comments on Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy (NRS – RA) Resources

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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for the CAISO's Generated Bids and Outage Reporting for NRS – RA Resources Initiative and to submit comments regarding the June 9, 2010 *Revised Draft Final Proposal*. Our comments concern the CAISO's proposal to insert bids for NRS units that do not offer their full capacity in the Day Ahead market. PG&E supports this proposal as discussed below.

(1) CAISO Proposal

A. Generated Bids

CAISO Proposal

The CAISO's Straw Proposal recommends rules for NRS – RA resources that do not bid their full RA capacity in the Day – Ahead market. In the case that the NRS – RA resource bids in a portion of its obligated capacity into the Day Ahead Market, the CAISO proposes to extend the last segment of the resource's energy bid curve to its dispatchable RA MW quantity. With regard to NRS – RA resources that do not submit *any* bids into the Day Ahead Market, the CAISO proposes that NRS-RA resources be able to choose between the LMP-based bid option, the Negotiated Rate option, or the Price Taker option (\$0 energy bid + the Grid Management Charge). If the LMP-based bid option is elected, the resource must have a "back-up" negotiated bid value to be used in the event that the feasibility test fails for the LMP-based bid option due to lack of sufficient data.

Further, CAISO proposes that the functionality to insert bids on behalf of NRS-RA resources be implemented no earlier than the implementation of the SIBR release, which will allow SIBR to submit bids for only a subset of hours.

PG&E Comments

PG&E supports the CAISO's proposal. However, PG&E makes two observations related to the proposal. First, there are NRS-RA import contracts and/or DWR contracts that were in existence prior to the establishment of RA and have been grandfathered under the

relevant CPUC decisions to count towards RA requirements. These contracts do not provide the flexibility to allow these resources to be bid into the CAISO's IFM. This is because these contracts require a scheduling decision prior to the close of the IFM. Insertion of bids by the CAISO in the IFM in such cases would therefore be inconsistent with contractual limitations whenever the bids were accepted.

PG&E understands that the CAISO's proposal is not intended to treat these grandfathered RA contracts in a fashion that is inconsistent with their contractual limitations and will make the appropriate accommodations for such contracts.

Second, section 40.6 of the CAISO's Tariff, which generally governs the obligations of RA resources to be offered in the CAISO markets, is quite complex. It has a number of subsections, and depending on which subsection is applicable, it might not be appropriate for the CAISO to insert bids for the RA resource if the resource does not offer its full capacity in the Day Ahead market.

PG&E understands that the CAISO's proposal is not intended to modify section 40.6 of the CAISO's Tariff. Instead, the intention is to fully implement that section of the Tariff related to NRS-RA resources.

PG&E would object to the proposal to the extent that, contrary to PG&E's understanding, the CAISO is intending to modify its treatment of RA contracts that predate the implementation of RA or to modify the provisions of section 40.6 of the CAISO's Tariff.