Pacific Gas and Electric's Comments on Phase 2 of Standard Capacity Product

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Pacific Gas and Electric Company (PG&E) welcomes the opportunity to comment on the Phase 2 of Standard Capacity Product (SCP).

BACKGROUND

The current SCP temporarily exempts certain Resource Adequacy (RA) resources from availability charges and payments. Those exempt resources are: (1) demand response; and (2) renewables resources and qualified facilities i.e. resources such as wind, solar, non-dispatchable cogeneration facilities whose capacity value is determined by using historical output. The Federal Energy Regulatory Commission (FERC) has directed the California Independent System Operator (CAISO) to work with stakeholders and Local Regulatory Authorities to determine how to apply availability standards to these resources.

COMMENTS

Planned vs. Forced Outages

PG&E has concerns regarding an existing element of the SCP. Once a Load Serving Entity (LSE) has procured RA for a given delivery month, it should not be at risk for the reduction in the RA capacity associated with approved planned outages. This is sometimes referred to as the LSE-based replacement obligation. Such an obligation does not assist in creating a fungible product when the LSE's purchase of RA is tied to the commercial terms of each individual transaction. In order to have a truly tradable product, the performance obligations should be on the supplier; after a RA capacity sale, a LSE should not have any further responsibility. The minimum required changes in the CAISO Tariff to put this into place are to add:

(1) a section which places the obligation on the Resource Adequacy Resource to replace its net qualifying capacity for the duration of its scheduled maintenance outage; and

(2) a section indicating

  (a) that the CAISO will replace the net qualifying capacity if the Resource Adequacy Resource does not; and

  (b) what the charges and penalties to be applied to the non-complying Resource Adequacy Resource would be.

While it might be preferable to make other changes and modifications to the CAISO Tariff, PG&E did not identify any areas in which the existing Tariff, with these additions, would be inconsistent with removing the risk for the reduction in the RA capacity associated with approved planned outages from LSEs, and placing it instead on the RA Resource.

Modifications to the Business Practice Manual for Reliability Requirements might also be necessary.

Demand Response

As a result of the discussions at the California Public Utilities Commission (CPUC) Workshop held on December 11, 2009, PG&E is concerned about applying availability standards to Demand Response (DR). PG&E believes that DR under its current configuration might not be a logical fit for the current SCP. Further, the CAISO staff should be mindful that any attempt to find a solution to integrating DR into the SCP would require an extended and lengthy stakeholder process. The CAISO's timeline is too aggressive; these issues cannot realistically be resolved by the March 25 -26 Board of Governors Meeting

There are a number of challenges dealing with translating the terms associated with conventional resources and applying them to DR resources. The SCP is built on a generation model that does not always have direct analogues to DR, particularly for the current DR programs. For instance, DR resources do not have name plate capacities, "scheduled outages", "forced outages", or a "must offer requirement". The current DR products are also based on the utilities' 2009-2011 DR programs. Those programs embody DR availability and capability based on the load impact protocols. It is inefficient to attempt to alter those protocols to fit a new definition of availability under SCP in a short time frame.

In addition, changes to both retail and wholesale DR programs are currently being discussed in ongoing proceedings. DR should be considered for SCP only after the following activities are completed:

- DR OIR Phase 3 on emergency triggered DR, followed by the CAISO's development of the reliability demand response product (RDRP);

- DR OIR Phase 4 on PDR and situations where the LSE is different from the Demand Response Provider (DRP);

- Enhancements to Participating Load (PL) and Non-Participating Load (NPL);

- Changes to ancillary service markets that are needed to accommodate Demand Response ; and

- The completion of the initial PDR process design that the CAISO is targeting for completion in May 2010.

Renewables and Qualified Facilities

The current exemption of Renewables and Qualified Facilities (QFs) is premised on the potential double counting of forced outages. There is one penalty for a forced outage in the form of a reduced qualifying capacity and another financial penalty associated with the SCP's performance requirement. PG&E believes that a solution for incorporating these resources into the SCP is possible. The CPUC would need to approve changes to the current counting rules that would exclude forced outages when reducing the unit's nameplate capacity. Additionally, the CAISO should directly acknowledge that loss of "fuel" for renewables and qualified facilities would not be considered a forced outage and would not count against their availability. Finally, the CAISO should state that only the mechanical or physical failure of the generating device should be counted as a forced outage.