



Comments of Pacific Gas and Electric Company

FERC Order 764 Market Changes Draft Tariff Language Transitional Protective Measures for Participating Intermittent Resources

Submitted By	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments on the California Independent System Operator's (CAISO) Revised FERC Order No. 764 Draft Tariff Provisions Related to Transitional Protective Measures for Participating Intermittent Resources.

PG&E remains opposed to PIRP Protective Measures as it believes that the CAISO should focus on the efficiency of its markets and not engage in contract interference. Prior to execution parties to any bilateral agreement weigh the benefits and burdens of the contract and the PIRP Protective Measures that the CAISO have proposed needlessly interfere with the assessments made by counterparties prior to a contract's execution.

Each PG&E renewable contract is structured so it can continue to function under the CAISO's 764 proposal. Many of these contracts specifically address what will happen if CAISO Tariff revisions affect the settlement of Participating Intermittent Resources. The CAISO should not insert itself retroactively into this decision making process.

In addition, PG&E is opposed to the inclusion of language addressing the integration of PIRP Protective Measures with inter-SC trades. If the CAISO wishes to include language addressing this topic in the tariff there should be a robust discussion during a stakeholder process that addresses the challenge of incorporating PIRP Protective Measures for resources that use inter-SC trades.

While PG&E remains opposed to the idea of PIRP Protective Measures, PG&E comments below on the proposed tariff language addressing PIRP Protective Measures. PG&E believes that the CAISO must: 1) play a bigger role in verifying resources' requests for Protective Measures, 2) require resources to apply for PIRP Protective Measures and not Scheduling Coordinators and 3) clarify ambiguous settlement language.

4.8.1 Bidding and Settlement

Section 4.8.1: "...Scheduling Coordinators shall not submit Economic Bids or Self-Schedules for Participating Intermittent Resources that are subject to PIRP Protective Measures."

In this section the tariff language states that resources receiving PIRP Protective Measures will not submit Economic Bids or Self-Schedules. PG&E believes that the CAISO intended to indicate that resources will not submit Economic Bids into the market. PG&E proposes the following edit:

Section 4.8.1: “...Scheduling Coordinators shall not submit Economic Bids ~~or Self-Schedules~~ for Participating Intermittent Resources that are subject to PIRP Protective Measures.”

After this correction is made the CAISO needs to address the disconnect between the last sentence of each Section 4.8.1 and Section 11.12.1.1. Section 11.12.1.1 states that Scheduling Coordinators that submit economic bids for resources receiving PIRP Protective Measures will make those resources ineligible for PIRP Protective Measures and other benefits for the intervals in which the Scheduling Coordinator submitted economic bids.

Section 11.12.1.1: “...If the Scheduling Coordinator submits an Economic Bid to the Real-Time Market, the resource will be disqualified from PIRP Protective Measures and shall not be eligible for Bid Cost Recovery related payments for such Economic Bids.”

Scheduling Coordinators should either be unable to submit economic bids for resources receiving PIRP Protective Measures or resources should be unable to receive PIRP Protective Measures for the settlement intervals in question, not both.

PG&E recommends that the CAISO remove the last sentence of Section 11.12.1.1 for three reasons:

1. During the stakeholder process the CAISO agreed that there would be no continuous opting-in and opting-out of PIRP Protective Measures. The last sentence of Section 11.12.1.1 would allow resources to submit economic bids to opt-out and to self-schedule to opt-in. The current language is at odds with what was decided during the stakeholder process.
2. Given that to be eligible for PIRP Protective Measures a resource must either be 1) contractually unable to curtail or 2) physically unable to curtail, resources receiving PIRP Protective Measures are contractually or physically unable to respond to real-time market dispatch from the CAISO. Therefore, by definition, these resources should not be submitting economic bids. **The CAISO should not provide this as an option and instead should provide a software check that rejects economic bids for resources with PIRP Protective Measures,**
3. The CAISO should not implement a market feature that would allow resources that receive a special settlement carve out to take advantage of that carve out when it benefits the resource and to disregard it when it doesn't. Resources that are physically or contractually unable to curtail should be unable to curtail at all times, not just when it suits the resource.

4.8.3.1.1 Timing

Scheduling Coordinators should not be responsible for submitting requests for PIRP Protective Measures on behalf of their resources. PG&E is currently the SC for many of the renewable resources with which it has a bilateral agreement. As we have stated throughout the stakeholder process, PG&E's renewable contracts are structured so they can continue to function, and none of its counterparties should be eligible for PIRP Protective Measures. Therefore, it does not make sense that based on the current language PG&E would be responsible for the submission of a request for PIRP Protective Measures for a resource that believes it is eligible for PIRP Protective Measures. PG&E requests the language for this section be modified as follows:

~~“Scheduling Coordinators for resources Participating Intermittent Resources or Qualifying Facilities that wish to qualify for PIRP Protective Measures pursuant to Section 4.8.3.2 within the three-year transition period must complete their election for PIRP Protective Measures no later than thirty (30) days after the effective date of this Section 4.8.3.”~~

4.8.3.1.2.1 Physical Limitations

PG&E appreciates the CAISO's requirement that market participants who are seeking PIRP Protective Measures must submit a sworn affidavit stating that the resource meets the criteria specified in Section 4.8.3.2.1 (facility is exposed to real-time imbalance energy) and 4.8.3.2.2.1 (facility is unable to curtail) to be eligible for PIRP Protective Measures. However, in addition to this requirement, PG&E requests that the CAISO include language in the tariff that requires the CAISO to verify the content of the affidavit. Specifically, the CAISO should test the resource's operating characteristics to verify the affidavit by requiring the resource to demonstrate its inflexibility. Resources should not automatically be eligible to receive PIRP Protective Measures simply by submitting an affidavit.

4.8.3.1.2.2 Contractual Limitations

PG&E has three comments on Section 4.8.3.1.2.2.

1. Do not require affidavits from counterparties to a bilateral agreement with a participating resource

All of PG&E's executed renewable contracts continue to function post FERC Order 764 market changes, though we may need to address certain provisions of the scheduling and settlement terms. PG&E should not have to execute an affidavit to protect the generators from market changes which, in most cases, were addressed in the PPA.

If the CAISO requires such an affidavit, 30 days is not sufficient time to prepare such a legal document. PG&E requests 60 days be allowed for a counterparty to submit a sworn affidavit confirming or denying a resource's request for special protections.

2. If the affidavit system remains, remove the requirement that counterparties to a bilateral agreement with a participating resource must attest to the elimination of all contract risk for the resource

PG&E does not support the statements required of a counterparty to a bilateral agreement to oppose a resource's application for PIRP Protective Measures. More specifically, PG&E opposes the tariff language indicating that the counterparty's affidavit must state:

"...the Participating Intermittent Resource shall not suffer any economic or other repercussions under the contract were the resource to participate fully in the CAISO Market, including through the submission of Economic bid for economic curtailment."

This is an unreasonable standard. PG&E cannot unequivocally state that the resource will not be harmed by participation in the real-time market. Such a statement cannot be guaranteed. Such a guarantee is difficult for PG&E given that even the CAISO, when advertising the benefits of participation in the real-time market for intermittent resource, could only say that resources "**generally** will be paid more in the real-time market under FERC Order No. 764 market design than under the current market design and PIRP Settlement"¹. The CAISO's own statement about market participation is not as strong as what it would require from counterparties to bilateral agreements. PG&E cannot in good faith guarantee that counterparties shall not suffer any economic or other repercussions.

3. The CAISO needs to verify contract language and claw back payments from resources determined to be ineligible

If the CAISO continues to require affidavits from a counterparty to a bilateral agreement with a participating resource, the CAISO must institute a verification system before any PIRP Protective Measures are awarded to the resource. It is unreasonable to provide a benefit to a resource that submits an affidavit without any kind of confirmation that the attestation is accurate. While PG&E remains opposed to the CAISO's interference in our contracts, the CAISO through this provision has decided to do just that. As such the CAISO should take it upon itself to verify any such affidavit by a resource in effort to minimize PIRP Protection Measures that might be awarded to ineligible resources.

In addition, PG&E requests that the CAISO institute a claw back provision for PIRP Protective Measures that were awarded to ineligible resources. If the affidavit process remains in effect and the CAISO adjusts its requirements so that affidavits by counterparties to a bilateral agreement with a participating resource are reasonably able to submitted, parties to a contract will be able to resolve the contractual issue either through the agreement's provisions or through Section 13 of the CAISO Tariff. If through this dispute process the resource is ultimately found to have been able to contractually curtail, it must return to the CAISO PIRP Protective Measures that it should not have received.

4.8.3.2.2.1 Physical Limitation

PG&E supports the CAISO's continued stance that Participating Intermittent Resources that only lack dispatch, control, and telemetry or metering are not eligible for PIRP Protective Measures.

¹ CAISO. FERC Order 764 Market Changes Intermittent Resource Protective Measures Draft Final Proposal. August 15, 2013. Page 5. <http://www.caiso.com/Documents/DraftFinalProposal-FERCOrder764MarketChanges-IntermittentResourceProtectiveMeasures.pdf>

11.12.1.1 Hourly Settlement

PIRP Protective Settlement

PG&E feels that the language proposed under section 11.12.1.1 extends beyond the Hourly Settlement process designated in the section heading and would suggest separating the proposed language into two (2) sections to better detail the process. Any notes or details in square brackets are for informational or clarification purposes only and are not intended to be included in the final tariff language:

11.12.1.1 Hourly Settlement [Charge Code 6470]

“Scheduling Coordinators that represent Participating Intermittent Resources that have been qualified for PIRP Protective Measures pursuant to Section 4.8.3 will be subject to the following Settlement requirements. The CAISO will first settle the market outcomes for the Participating Intermittent Resources subject to PIRP Protective Measures consistent with the rules specified in Section 11. Each day, the CAISO will calculate the PIRP Protective Measures Real-Time settlement as the product of the ninety (90) minute MWh amounts, for each hour, multiplied by the simple average of the RTD LMP for the applicable Trading Hour.”

11.12.1.2 Monthly Settlement [Charge Code 711]

“At the end of the month, the CAISO will calculate the PIRP Protective Measures monthly resettlement, which it will based on the Participating Intermittent Resource’s deviation from the forecast established for the Participating Intermittent Resource for each applicable Trading Hour. For each month the CAISO will calculate the PIRP Protective Measures Settlement Amount as the product of (a) the monthly netted MWh quantities under PIRP Protective Measures, which is the sum of the hourly differences between the ninety (90) minute MWh amounts and the Participating Intermittent Resource’s 5-minute metered MWhs, and (b) the resource’s monthly weighted average RTD LMP, where the weights are the metered Generation quantities associated with each RTD LMP. The provisions in this Section 11.12.1 and in Section 11.12.2 will be in effect as of the day this Section becomes effective and the CAISO will implement these measures no later than twelve months after the effective date of this section. If the Scheduling Coordinator submits an Economic Bid to the Real-Time Market, the resource will be disqualified from PIRP Protective Measures and shall not be eligible for Bid Cost Recovery related payments for such Economic Bids.”

11.12.1.23 Use of Inter-Scheduling Coordinator Trades for Energy

Note – This section’s number has been changed because of PG&E’s proposed edit to the draft tariff’s Section 11.12.1.1.

As stated in the introduction, PG&E is opposed to inclusion of this language at this time.

Should the CAISO ultimately implement this separate Inter-SC Trade settlement process for trades with resources operating under the PIRP Protective Measures then we would recommend that these calculations be done under a new, distinct charge code so that the financial processes can be quickly and easily separated. If the CAISO maintains language in Section 11.12.1.1, this will be especially important for any trades with the qualifying VER in intervals where they do not qualify for special protections under the PIRP Protective Measures framework.