

## **PG&E Comments: 2021 Final Policy Initiatives Roadmap**

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator Corporation's (CAISO) 2021 Final Policy Initiatives Roadmap, published on November 23, 2020. As CAISO finalizes its 2021 Roadmap, PG&E appreciates this opportunity to address the primary drivers of the initiative selection criteria as well as initiative topics that require additional prioritization.

### **I. Primary Drivers of 2021 Initiative Roadmap**

PG&E largely supports the primary drivers and related initiatives that the CAISO identified in the Roadmap, with certain caveats. We offer the following comments on the primary drivers and initiatives we believe deserve additional prioritization.

#### **1. Reliability and just and reasonable rates**

One of the primary drivers of the CAISO's existence and development since its inception in 1998 has been to ensure the reliable operation of the grid and the maintenance of a just and reasonable wholesale market which supports affordability for its customers. PG&E is strongly supportive of the work the CAISO has already done in this arena on initiatives such as ESDER4, Hybrid Resources 1&2, System Market Power Mitigation and Resource Adequacy. PG&E strongly supports the CAISO's continued efforts in this arena and requests that the following topics be included in some active initiative in 2021:

- **Reliability Must-Run Contracts (RMR) and Capacity Procurement Mechanism (CPM)**: PG&E requests the CAISO include a stakeholder process to revise the RMR designation procedure to address cost and affordability issues. One avenue that should be investigated as part of this initiative is the addition of a third-party review which investigates the reasonableness of the cost-of-service filing, plant investment, and capital addition requests for RMR and CPM capacity. The cost categories mentioned need to be consistent with FERC standard practices for cost-of-service filings to ensure that resource owners are submitting the just and reasonable rates to maintain affordability for customers. CAISO should also modify the retirement process to consider and identify least-cost solutions as part of the process of designating an RMR. By considering many non-RMR options only retrospective to a designation, this approach results in sub-optimal planning solutions that have resulted in high costs.

- System Market Power Mitigation: The CAISO should move forward as soon as possible with the steps necessary to achieve a Summer 2021 implementation of Phase 1 of the System Market Power Mitigation Initiative. The proposal associated with Phase 1 of the System Market Power Mitigation stakeholder initiative was initially planned to be presented to the CAISO Board of Governors by the end of 2020, with implementation to be completed prior to the summer of 2021. The presentation of the proposal to the Board of Governors has now been delayed to at least February 2021. Additionally, there has been discussion that the System Market Power Mitigation proposal be tied to the Scarcity Pricing stakeholder initiative, potentially further delaying the implementation of measures to protect California customers from system market power and increased rates. PG&E does not support tying the implementation of System Market Power Mitigation Phase 1 to the completion of the Scarcity Pricing Initiative. If the CAISO is tying the implementation of Phase 1 of System Market Power Mitigation to observed events of exercised market power, what metrics is the CAISO using to determine that implementation is necessary (e.g. how much of a price cost markup would California customers have to observe prior to moving forward with the implementation system market power mitigation measures).

## **2. New Technologies**

PG&E wants to better understand the effects of incremental storage that is to be interconnected to the CAISO controlled grid. Specifically, PG&E requests that the portfolio assessment tool being developed in the RA Enhancements proceeding be reviewed and discussed to understand the effects of incremental storage procurement on reliability. PG&E recognizes the large volume of storage capacity that is currently being interconnected, to the CAISO Controlled Grid over the next two years. PG&E appreciates that the CAISO has identified the need to integrate these new technologies into its markets and operations as California achieves its State climate objectives. PG&E is interested in the CAISO's analysis of potential effects on the grid reliability should large tranches of storage capacity be procured in the coming years. PG&E understands that the portfolio assessment completed November 6 did not take into account storage resources. Does the CAISO intend to incorporate storage into its assessment in the following year? Based on the current functionality of the markets, how will the grid continue to be operated reliably if the majority of the next 2 GW of generation interconnection in California is storage? PG&E also requests clarification on how the CAISO will assess the operation of storage particularly, the charging and discharging of the capacity and how this information will be incorporated in the model. PG&E acknowledges the challenge of modelling both charging and discharging capacity for storage. Should the alternative be to model storage only in net-peak load hours once batteries have been fully charged?

PG&E recognizes the difficult trade-offs that must be made as CAISO sets its policy initiative agenda. PG&E looks forward to further engagement with CAISO and appreciates the opportunity it has had to participate in the 2021 Roadmap process.