

Reliability Coordinator Services Rate Design, Terms and Conditions

Submitted by	Company	Date Submitted
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PG&E provides the following comments on the CAISO Reliability Coordinator (RC) services initiative and discussion in the stakeholder meeting held April 12, 2018.

Overall, PG&E supports the CAISO’s direction in this initiative to create an RC function, first within the CAISO footprint, and then expanding to offer RC services on a voluntary basis to other entities within the broader Western Electric Coordinating Council (WECC) region. As a Transmission Operator (TOP) within the CAISO Balancing Area Authority (BAA), PG&E will change its current RC provider along with the rest of CAISO as the RC function is stood up. As a Peak Funding Party, PG&E looks forward to working within Peak RC to ensure a smooth transition. We also look forward to working with other interested parties that may choose to join the CAISO RC – as well as those that may not -- in order to ensure a safe, reliable interoperation of systems, with fair accounting and allocation of the costs of RC services, transparent and accountable oversight, and reasonable provisions for dispute resolution and, when necessary, withdrawal.

PG&E appreciates the initial steps CAISO has taken in its straw proposal in documenting the proposed provisions of its RC service, and to seeing more details as this process moves forward. PG&E offers the following comments with regard to the specific details of the CAISO proposal at this time.

Oversight

It is important to recognize that CAISO already has significant experience operating in a multi-state environment with the successful implementation and growth of the Western Energy Imbalance Market (EIM). PG&E has participated actively in the creation and evolution of the governance institutions for the EIM -- the EIM Governing Body, Body of State Regulators (BOSR), and Regional Issues Forum (RIF, a stakeholder representative body) -- and offers the following observations with regard to future governance and oversight of the RC, based on this experience:



- The Western states are diverse, both geographically and politically, and this diversity is reflected in the variety of institutions participating in the electric sector. For regional institutions to successfully take shape, federal, state, and locally regulated utilities all need to enter into a relationship of trust with each other. As in any relationship, building trust requires constant communication, consultation, and transparency.
- California, as the most populous state in the West, has an important role to play in developing future regional grid services, but, as Californians, PG&E understands that we must also learn to be humble and to listen to the legitimate concerns of our neighbors, in order to work well and move forward together.
- As the CAISO morphs into a regional, multi-state institution, its own governance clearly must evolve. PG&E agrees with many of the non-California parties that the development of more fully independent governance institutions for CAISO, along the lines of the current EIM Governing Body, should be an important element in the transition to greater regional grid integration. Additional oversight by independent bodies that respectively represent state interests and stakeholder interests may complement but will never replace strong governance and oversight over the CAISO, itself, as an institution.
- PG&E is concerned that CAISO not go down the road of creating new and separate governance bodies – with potentially conflicting rules and mandates -- for each product and service under the CAISO's broad corporate umbrella. This would only result in an erosion of accountability, where CAISO staff and management would be answerable to different "bosses" for each of the various markets, BAA, and RC services managed within the same institution.

Specifically, with regard to the proposed Oversight provisions for the RC function, PG&E supports the creation of the proposed Reliability Coordinator Project Steering Committee (RPSC), as an advisory body of prospective RC participants. Future iterations of the straw proposal should address the transition from the RPSC advisory role, which is necessary during the creation of the RC, to an on-going Oversight Committee, with responsibility for the RC, once it is fully implemented and operational, with a steady state level of participation.

Services

PG&E believes the menu of services for the RC is reasonably complete and consistent with current Peak RC service. PG&E would like to request CAISO provide additional detail with regard to the service levels under each of the services, as compared to current Peak RC service.

With regard to the Joint Use Tools, which are owned by Peak (which is in turn owned by the Peak Funding Parties), PG&E requests that CAISO engage with Peak as to how the Intellectual Property (IP) for these tools might be placed on a durable footing, such that both CAISO RC and those Peak Funding Parties who join CAISO RC will continue to have full access and use of the tools, as well as the ability to fund future upgrades and receive support. This could, for example, take the form of an agreement with a third party software vendor, to whom Peak would assign rights to modify and maintain official versions of the tools, while assigning undiluted shares in the IP to each of the Peak Funding Parties, such that those who choose to do so may modify source code and maintain their own in-house versions.

Funding Requirement and Rate Design

PG&E is generally comfortable with the proposed cost allocation mechanism to determine appropriate rate design for the RC function. However, PG&E is concerned that any underestimation or under-representation of the RC costs will likely lead to cross-subsidization by BAA customers (and ultimately by California load) of RC services. For example, during the stakeholder meeting, CAISO staff stated that, in addition to the 28 estimated full time equivalent (FTE) staff working to provide RC services, an additional 7 CAISO FTE would support RC services on a part-time basis. This would presumably include, among other things, CAISO IT staff supporting RC applications, CAISO stakeholder representatives supporting RC customers, CAISO HR recruiting personnel for RC roles, CAISO Legal staff working on RC agreements, and CAISO senior management supervising the RC function, along with their other duties.

PG&E would like to request additional detail on the basis for the 7 FTE support resource estimate. In particular, with regard to the support functions, PG&E wishes to know, whether CAISO has made any estimate of the time and travel budget for CAISO staff to prepare and attend the many working group, steering committee and oversight committee meetings, including external outreach with stakeholders outside of California? In the EIM context, PG&E notes that CAISO routinely supports out-of-state meetings with 6-10 CAISO staff (including A/V support, stakeholder relations, subject matter experts, and officers).