Comments of Pacific Gas & Electric Company related to CAISO's Draft Final Proposal on CRR Clawback Rule Modification

Submitted by		Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) appreciates the opportunity to submit comments related to the California ISO's May 16th draft final proposal on modifying the Congestion Revenue Rights (CRR) Clawback Rule.

Background on the ISO's Proposal

The ISO has proposed two modifications to the Congestion Revenue Rights (CRR) clawback rule (a rule that exists to prevent market participants from using convergence bids to boost the value of their CRRs). The first modification relaxes the clawback rule related to imports/exports, as the ISO is hoping to increase 15 minute market intertie liquidity. The second modification expands the clawback rule to cover convergence bids on Load Aggregation Points (LAPs) and hubs.

Convergence Bidding on LAPs and Hubs – PG&E Option A

The ISO should keep exempt those LAPs and Hubs that are sufficiently liquid

As expressed in its previous comments on the ISO's straw proposal, PG&E continues to question the scope of the second proposed modification. More specifically, PG&E questions the need to subject <u>all</u> LAPs and hubs to the clawback rule, regardless of liquidity and shift factor diversity. In its draft final proposal, the ISO attempted to address this question by referring stakeholders to the comments submitted by the ISO Department of Market Monitoring (DMM). While PG&E appreciates the DMM's comments, PG&E does not believe that such comments sufficiently address PG&E's question. More specifically, the comments submitted by the DMM do not demonstrate that highly liquid hubs (such as NP15) would have been associated with clawbacks in 2015, had the exemption been removed. For that reason, PG&E does not believe that the ISO has adequately addressed its question, and so PG&E will continue to advocate for a solution that exempts LAPs and hubs with sufficiently high liquidity and shift factor diversity.

As stated in its previous comments, PG&E requests that the ISO conduct a periodic review of the LAPs/hubs to identify those LAPs/hubs that have sufficient liquidity and shift factor diversity to remain exempt from the CRR clawback rule (i.e., remain on the "exemption list"). More specifically, PG&E suggests that the ISO keep track of the following: virtual transactions on the LAPs/hubs and the number of hourly intervals during which such transactions (through shift factors) cause flow impacts of 10% or more on any of the associated transmission constraints (for short, we will call such impacts “infractions”). Then, on a periodic basis (quarterly or annually), PG&E recommends that the ISO review the data it has been tracking and compare the number of infractions for each LAP/hub against a pre-determined threshold. If the threshold is exceeded, then that specific LAP/hub should be subjected to the clawback rule going forward (i.e., it should be removed from the exemption list). Importantly, the ISO should consistently publish both the threshold and the updated exemption list. In addition, the ISO should reserve the right to remove LAPs/hubs from the exemption list under emergency circumstances if warranted by market conditions.

Convergence Bidding on LAPs and Hubs – PG&E Option B
The ISO should create an exemption for virtual supply associated with physical real-time generation

As an alternative to the option outlined directly above, PG&E recommends that the ISO create an exemption for a subset of virtual supply transactions. More specifically, PG&E recommends that the ISO create an exemption for virtual supply associated with intermittent generation resources that are scheduled in real-time only. Such virtual supply transactions effectively bring real-time renewable schedules into the day-ahead optimization thereby increasing market efficiency and reducing the risk of overgeneration. Accordingly, PG&E believes that such transactions are not virtual in spirit but rather a reflection of physical in nature and therefore should not be subjected to the clawback rule. Entities with such resources could work with the DMM to justify that the convergence bids submitted reflect expectations of physical supply in real time for intermittent resources and therefore should be exempt from any clawback rules.