



Pacific Gas and Electric's Comments on Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper

Submitted by	Date Submitted
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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for the CAISO's Phase 2 Standard Capacity Product (SCP) Initiative and to submit comments regarding the April 7, 2010 'Revised Draft Final Proposal'. PG&E's comments address three issues: 1) *Availability Calculation for Resources Whose Net Qualifying Capacity (NQC) is based on Historical Data*, 2) *The Replacement Rule*, and 3) *Grandfathering of Intermittent Resources*.

PG&E's Position on the NQC Calculation

PG&E supports the CAISO's original proposal for calculating the availability of resources whose NQC is based on historical data. This proposal recommends using only the proportional derate metric without accounting for actual energy delivery.

PG&E's Position on the Replacement Rule

PG&E supports the CAISO's proposal to retain the current replacement rule for the time being to allow for further stakeholder discussion of alternative approaches.

PG&E's Position on Grandfathering of Intermittent Resources

PG&E supports the CAISO's proposal to grandfather intermittent resource under a resource specific supply contract that was signed prior to FERC's approval of the SCP II filing.

1) Availability Calculation for Resources Whose Net Qualifying Capacity (NQC) is based on Historical Data

CAISO Original Proposal

In the February 19 Draft Final Proposal the CAISO proposed using the following *proportional derate metric* to calculate availability for resources whose NQC is based on historical data:

$$(a) \left(\text{Min } 100\%, \left(\text{NQC} * \frac{\text{De-rated Pmax}}{\text{Pmax}} \right) \right)$$

RA Sold

CAISO Final Proposal

CAC, CPUC, and SCE submitted comments stating that the CAISO's proportional methodology could satisfy the measurement of wind and solar facilities but that this availability calculation was not proper for qualified facilities (QF's).¹ In response, the CAISO altered its proposal to consider the actual energy delivery in determining the availability of these resources. Specifically, the CAISO proposed the following formula:

$$(b) \text{Min} \left(100\%, \text{Max} \left(\frac{\text{actual energy delivery}}{\text{proportional derate metric}} \right) \right)$$

RA Sold

Comments

PG&E supports the CAISO's original proposal and does not support the CAISO's final proposal.

Using actual energy delivery to calculate the availability of these resources is inappropriate. The calculation of availability should only be impacted by the resource's forced outage and not its actual energy delivery, which will be reflected in its NQC calculation for future years. Using actual energy delivery to calculate both the resource's availability and its NQC can lead to doubly rewarding that resource for its performance: once in the form of availability rewards (or avoided availability penalties) and another in the form of an increased NQC value that will be calculated in the following years.

Further, the CAISO's alternative proposal is asymmetrical. Formula (b) only serves to protect resources with actual energy delivery in excess of their proportional derate metric but does not similarly penalize resources with actual energy delivered below their metric.

Consider the CAISO's example of an intermittent resource that sells 10 MW of RA and has a Pmax of 100 MW, a forced outage of 50 MW, and an NQC of 15 MW.² The proportional derate metric (formula (a)) would calculate the resource as 75% available.³ Under the CAISO's alternate proposal, if the unit's actual output was 12 MW, it would be considered 100% available (i.e., the unit gets the advantage of the actual delivered energy in the availability calculation). However, if its actual output was 2 MW, it would

¹ In its March 18, 2010 'Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper', the CAISO incorrectly asserted that PG&E agreed with the position advocated by CAC, CPUC, and SCE. This is incorrect. PG&E has not provided written or verbal comments to the CAISO opposing the proportional derate method.

² This example is taken from slide 14 of the CAISO's March 24th presentation: <http://www.caiso.com/2761/2761ee02f220.pdf>

³ $\frac{15 * (50/100)}{10} = \frac{7.5}{10} = 75\%$

still be considered 75% available rather than 20% available based on the actual energy delivery.

2) Replacement Rule

CAISO Final Proposal

The CAISO proposes to retain the current replacement rule to allow stakeholder discussion of alternative approaches. Potential alternatives would be discussed in CPUC's RA (R. 09-10-032) Phase 2 proceeding.

Comments

PG&E supports the CAISO's proposal to retain the current replacement rule for the time being to allow for further stakeholder discussion of alternative approaches.

Changing the replacement rule will require the CAISO to clarify its timeline and mechanics for reviewing and approving monthly supply plan submissions. Also, criteria will need to be developed to determine the acceptability of replacement capacity and the method for allocating costs when multiple scheduled outages collectively require replacement capacity.⁴ These issues cannot realistically be resolved by the May 17 - 18 Board of Governors Meeting.

PG&E continues to support making the supplier responsible for replacing RA capacity during a planned outage but within a framework that is synchronized with the CPUC's rules and processes.⁵ Determining the best way to achieve this will require additional discussion and input from stakeholders.

However, we do not feel that it is necessary to wait until the CPUC's RA Phase 2 proceeding to begin a stakeholder process. In fact, doing so could potentially delay changing the replacement rule until the 2013 RA compliance year.⁶ Accordingly, PG&E requests the CAISO work with the CPUC to coordinate and conduct a separate stakeholder process in 2010 focused on the replacement issue (outside the annual RA process). The goal would be to complete the stakeholder process by the end of 2010, so

⁴ March 18, 2010, 'Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper.'

⁵ For example, when a system RA unit takes a planned outage for 1 - 2 weeks, the CPUC still allows it to count between 25% - 50% of its NQC. Under the CAISO's previous proposal, the supplier could be responsible for replacing the entire capacity of a unit that has taken a planned outage.

⁶ Assuming that all the necessary issues are addressed by the end CPUC's RA Phase 2 proceeding with a Proposed Decision issued in late June of 2011, the CAISO would make a FERC filing sometime after that date. It is unlikely the CAISO would receive an order approving the CAISO's filing in time for RA procurement for the 2012 compliance year.

any needed FERC approval would be received before the start of the procurement cycle for the 2012 RA compliance year.

3) GRANDFATHERING OF INTERMITTENT RESOURCES

CAISO Proposal

The CAISO proposes to grandfather intermittent resource under a resource specific supply contract that was signed prior to FERC's approval of the SCP II filing.⁷

Comments

PG&E supports the CAISO's proposal to grandfather intermittent resource under a resource specific supply contract that was signed prior to FERC's approval of the SCP II filing.

LSEs have executed agreements for intermittent resources before the completion of the SCP Phase II initiative. As such, these contracts were negotiated without knowledge of the final rules.

⁷ Previous CAISO proposals contemplated a grandfathering date of June 28, 2009 (the same grandfathering date applied to conventional resources as a result of FERC's SCP I ruling).