

PG&E's Comments on Setting IFM Initial Conditions to Address Cycling of Generating Units Proposal

Submitted by	Date Submitted
Albertina Thai (415) 973-1358 axto@pge.com	June 16, 2010
Alva Svoboda (415) 973-4405 ajsh@pge.com	
Shehzad Wadalawala (415) 973-7292 sxwq@pge.com	

Pacific Gas and Electric (PG&E) appreciates the opportunity to submit comments for the CAISO's June 3, 2010 Setting IFM Initial Conditions to Address Cycling of Generating Units Proposal.

PG&E strongly supports the proposal because it addresses one of PG&E's major concerns with the Day-Ahead Market and implementation does not require tariff or software changes.

CAISO PROPOSAL

The CAISO proposes to allow an SC (whose unit has a bid accepted in the IFM or RUC) to submit a Real-Time self-schedule for its "uncommitted hours". Specifically, The IFM market pre-processes would set a unit's initial condition to online for next IFM market run if:

- A. The unit is economically committed for some hours of TD-1 in the IFM or RUC, but is not committed through the end of TD-1
- B. Prior to the close of the IFM for TD, at 09:00 on TD-1, the unit has self scheduled energy submitted in the RTM for TD-1 for each of the remaining hours after the last commitment hour in TD-1.

COMMENTS

PG&E Supports Retaining ICM Functionality as Part of a Longer-Term Solution

According to the CAISO straw proposal, the long-term solution to uneconomic cycling is the Multi-Day Unit Commitment initiative. PG&E agrees that both this initiative and the Multi-Day Unit Commitment address uneconomic cycling. However, even with implementation of the Multi-Day Unit Commitment, retaining Initial Conditions Management (ICM) functionality as part of a longer term solution will likely be beneficial.

Even with Multiday Unit Commitment, it is still important in allowing market participants to respond to changing forecasted conditions between CAISO IFM runs. The ICM proposal has standalone benefits because Day-Ahead forecasts are superior to 2-Day Ahead forecasts of supply and demand conditions. For example, according to forecasts the last day of a heat wave may be TD+1. With Multi-Day Unit Commitment, the optimal solution will result in commitment of resources through the peak for TD+1 and de-commitment in the late hours of the day for resources not forecasted to be economic for TD+2 when the heat wave is expected to end. If the heat wave extends, enforcement of the minimum down time and including a phantom startup cost in the IFM creates an artificial barrier to the unit's ability to participate in the IFM markets for TD+2. In this circumstance, ICM provides the flexibility necessary for market participants to overcome artificial minimum down times where Multi-Day Unit Commitment cannot.

On June 9th, the CAISO issued a proposal for 72 hour RUC that would be an intermediate solution to uneconomic cycling prior to implementation of Multi-Day Unit Commitment. This development should not, however, be done primarily to supplant the proposal or specifically to address the initial conditions issue, without an extensive stakeholder process. Furthermore, ICM can still offer standalone benefits and address a market design issue as described above that neither 72 hour RUC nor Multi-Day Unit Commitment can.

PG&E Requests Adequate Market Simulation

The ICM is significantly easier to implement than either 72-hour RUC or Multi-Day Unit Commitment but there are still remaining issues the CAISO must address. PG&E recommends market simulation testing to determine how the CAISO systems deal with unexpected behaviors by market participants. In particular, if a market participant withdraws a real time self-schedule after it has caused a binding day-ahead commitment, PG&E recommends that the CAISO have provisions in place to ensure that modified real time self-schedules remain feasible with respect to IFM awards.

Further, PG&E requests clarification on the over-generation provision and whether or not it will also be an automated process. PG&E recommends that the CAISO set clear rules for how the CAISO would decide to reject real-time schedules to set initial conditions in the IFM under what it calls "minimum load conditions," especially as it is possible for the CAISO to perform such a blanket rejection and then re-insert particular resources as on-line at zero in the IFM, via exceptional dispatch (for reliability reasons). PG&E anticipates that market simulation may be necessary for confirming that self-schedule rejection works according to specified rules.

Finally, PG&E suggests that the CAISO provide an explicit policy for rejecting real time self schedules for initial conditions management by any market participants who show any kind of pattern of inserting such schedules prior to 9am and then withdrawing or significantly modifying them after 10am so as to distort IFM results. Two possible approaches to such bad behavior would be to sanction such participants if they continue to provide these self schedules but the CAISO cannot remove them piecemeal, or to stop

the initial conditions management based on participant bad behavior, also with the possibility of defining some sanctions (including identifying the participant).