

## Comments of Pacific Gas & Electric Company

### Commitment Cost Enhancements – Phase 3

Submitted by	Company	Date Submitted
Michael Volpe (415-973-8613)	Pacific Gas & Electric	November 2, 2018

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator’s (CAISO) Commitment Cost Enhancements – Phase 3.

PG&E would like to confirm that all BPM changes will additionally go through the normal BPM review process, and there will be further opportunity for review at that time. However, below, PG&E has provided limited comments given the CAISO’s request for comments prior to the workshop.

PG&E’s comments can be summarized as follows:

1. Market Operations BPM Section 2.1.15
2. Draft Tariff language
  - a. 30.4.1.1.6.1.1 Use-Limited Resource Criteria
  - b. 30.4.1.1.6.2.1 Calculation Schedule
  - c. 40.6.8 Use of Generated Bids
  - d. 40.9.2 Exemptions
3. BPM for Market Instruments
  - Attachment B
  - Attachment D
  - Attachment N
4. BPM for Outage Management

#### **1. Market Operations BPM Section 2.1.15**

PG&E requests the language of the Market Operations BPM be updated to match the Tariff. The appended language of Use-Limited Resource Criterion 3 is: “The resource’s ability to select hours of operation is not dependent on an energy source outside of the resource’s control and the resource can ration the limitation in response to energy price signals.” This language does not match the proposed modifications made to the Tariff language: “The resource’s ability to select hours of operation is not dependent on an energy source outside of the resource’s control being available during such hours but the resource’s usage needs to be rationed.” The language in the Market Operations BPM should be modified so that it is in alignment with the proposed Tariff language. The BPM language should not be more restrictive than the Tariff language. In addition, Section 2.1.15.2, the BPM language states that the following would be ineligible for ULS: “The resource is not able to operate continuously and

consequently does not participate economically in the ISO energy market.” This bullet is an expansion of the Tariff language and should be deleted.

## **2. Draft Tariff Language**

### **a. 30.4.1.1.6.1.1 Use-Limited Resource Criteria**

PG&E requests that CAISO update the effective date of the following language: “Effective November 1, 2021, no contractual limitations will constitute qualifying contractual limitations that satisfy the requirements of this Section.” Three years from the proposed Tariff changes would be April 1, 2022. The resources using this condition should be allowed to use an Opportunity Cost reflecting one year of operations until that time (vs. the resource being modeled to use all of its starts prior to April 1, 2022).

### **b. 30.4.1.1.6.2.1 Calculation Schedule**

Within the calculation of opportunity cost adders section (p.5), CAISO removed language allowing for opportunity costs to be updated more frequently than a monthly granularity. PG&E feels that this language should remain, given the opportunity costs for some resources could change substantially within a month. Two examples of this are hydro resources and RDRR demand response programs. This lack of updating will be especially concerning when resources are nearing the end of the limitation period. Market participants should have the ability to request a mid-month update.

### **c. 40.6.8 Use of Generated Bids**

CAISO added: “resource that is unable to be continuously operated” to the bid insertion exemptions in section 40.6.8 (e). CAISO should explain how this will be implemented. For example, will CAISO have a field in the Masterfile to document this constraint?

### **d. 40.9.2 Exemptions**

PG&E disagrees with the modification to the Capacity Exempt from RAAIM exemption which removed the text “including resources subject to”. This exemption should apply to all RMT resources.

## **3. BPM for Market Instruments**

### **a. Attachment B:**

In the Implied Starts of section B.2.10 Multi Stage Generating Resource – MSG\_CONFIG tab (p.27), please expand and define what is meant by ‘resolution level’ in the following statement: “Implied starts registered in the GRDT should be the same **resolution level** on which the start limitation value is determined.” If the use limitation on number of starts is at the resource level of a MSG resource, not configuration level, what should Scheduling Coordinators reflect in the GRDT for the implied starts between configurations?

PG&E requests that CAISO explain the use of the implied starts field. Can CAISO now limit implied starts per day in the market optimization? Is the purpose of this language to align the constraint of implied starts with what is in the MSG\_CONFIG tab of the Masterfile?

**b. Attachment D:**

PG&E specifically objects to the following components of Attachment D:

1. CAISO removed the language which stated CAISO's Market Monitoring Unit or an alternative independent entity approves negotiated rate option default energy bids. Considering these calculations are not trivial and have a significant impact on operations, market participants should have the opportunity for an independent party review.
2. CAISO states, "If a Scheduling Coordinator wants to modify a Negotiated Default Energy Bid on file prior to April 1, 2019, the Scheduling Coordinator can elect to modify or terminate the Negotiated Default Energy Bid and to leverage the Opportunity Cost procedures for calculating or negotiating Variable Energy Opportunity Costs pursuant to Section 30.4.1.1.6.1.2." Market participants should not have to give up a previously negotiated DEB prior to seeing what the applicable Opportunity Cost will be and how it will work. That is, parties should have ability to maintain the negotiated DEB until seeing what the negotiated Opportunity Cost is, given the opacity of the modeling processes.

PG&E also has a general comment about the use of the term "opportunity cost" in the modified language. This term appears in multiple variations, some of which are used interchangeably and some of which are used to distinguish themselves from other types of opportunity costs. Some examples include: Opportunity cost, Opportunity cost adder, Variable Energy Opportunity Cost, Variable Energy Opportunity Cost adder, Energy opportunity cost, Use-limitations based opportunity costs, negotiated opportunity cost, Negotiated Opportunity Cost adder(s). In order to avoid confusion, PG&E recommends that CAISO reduce the number of variations of this language to the extent possible and define each unique term in the Tariff.

**c. Attachment N**

CAISO did not update Attachment N to incorporate PG&E's previous comments. PG&E offers the same comments as previously. On page 8, the CAISO's objective function makes the problem unnecessarily complicated. Specifically, it multiplies two decision variables by each other, which makes the problem much more difficult and is unnecessary. PG&E previously provided CAISO the correct formulation in November 2017 (during comments on BRS) and requests it be incorporated into Attachment N. In addition, PG&E requests an update to Attachment N to show the full mathematical model.

**4. BPM for Outage Management**

PG&E agrees with comments made by Southern California Edison in PRR 1088 (<https://bpmcm.caiso.com/Lists/PRR%20Comments/Attachments/1604/SCE%20Initial%20Comments%20PRR%201088.pdf>).

Additionally, PG&E recommends the Ambient Not Due to Temp Purpose to include a description for Water Management that provides notification of physical limitation of hydro resources due to lack of water or lack of head.