

Comments of Pacific Gas & Electric Company

Resource Adequacy Enhancements – Issue Paper

Submitted by	Company	Date Submitted
Paulo Amaral 415-973-0434	Pacific Gas & Electric	November 14, 2018

PG&E appreciates the opportunity to provide comments in the CAISO’s Resource Adequacy (RA) Enhancements stakeholder initiative, based on the issue paper published October 22, 2018, and discussed in the stakeholder meeting on October 30th.

PG&E applauds CAISO for recognizing the need for reform and launching a new initiative to that end, as well as for its continued involvement in the California Public Utilities Commission’s (CPUC) RA Order Instituting Rulemaking (OIR) Track 2 Proceeding for multi-year local RA requirements and central buyer structure for local RA procurement.

The RA program requires substantial reform to be effective in the rapidly evolving environment in California and beyond – reform to be undertaken, naturally, with the close collaboration of the CAISO, the CPUC, load serving entities (LSEs), suppliers, and other relevant stakeholders. The objectives of the program should be renewed with clear intentions, requirements, and metrics to satisfy those requirements.

PG&E recommends the CAISO prioritize the consideration of items that do not require close collaboration with the CPUC, as these would naturally (and appropriately) require more time. With respect to issues in the CAISO’s scope, it would be most beneficial to first address items whose alteration would provide the greatest benefit over the near term; especially those whose prospective design would not overly condition the design solutions available to items considered thereafter. Also, certain items, given the nature of their relationship with each other, should be considered together.

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

1. Principles for enhancements to the CAISO’s implementation of the RA program
2. Coordination of operational features of RA program:
 - a. RA Counting and Eligibility Rules
 - b. Must Offer Obligations and RAAIM
 - c. Outage Management and Substitution Rules
3. Other items

1. Principles for enhancements to the CAISO’s implementation of the RA program

PG&E believes that RA enhancements should be guided by clear design principles. While the following list is not exhaustive, these should include:

- Begin design process with clear intentions, reliability requirements, and metrics to satisfy those requirements
- Maximize certainty and establish mechanisms to ensure the system has the “right resource mix” to maintain reliability
- Focus on providing the correct incentives to encourage greater availability of capacity to the CAISO (e.g. implementation of the Resource Adequacy Availability Incentive Mechanism (RAAIM) has encouraged LSEs to show only the bare-minimum of capacity)
- Facilitate design changes that encourage market liquidity so that market participants may readily transact for needs
- Ensure the fair and equitable allocation of system costs

2. Coordinate operational features of RA program

The issue paper outlines several issues emerging from the existing design of the RA program. Among them, the paper states that “current RA counting rules do not adequately reflect resource availability and instead rely on complicated replacement and availability incentive mechanism rules”.¹ PG&E agrees and considers these items the highest priority. Moreover, these items are within CAISO’s domain, and their reform would likely provide the greatest benefit over the near term. Any prospective design for these would likely highlight the design solutions available to other items. Finally, these items are naturally linked and should be considered together.

a. RA Counting and Eligibility Rules

Regarding RA Counting and Eligibility rules, clarity is important. In fact, at this stage, it is important to ask What is it the RA program is trying to achieve: Ensure available capacity for reliability? Ensure bid sufficiency to clear the market without scarcity pricing? Or both?

Given clarity regarding the purpose, needs can be determined, requirements established to meet that need, and, subsequently, how to satisfy those requirements through the application of current and future resources. The RA program should realistically represent the attributes of resources toward satisfying a specific need and hold LSEs and resource owners accountable accordingly; both in forward showings (for LSEs) as well as in their operation (for owners). Requirements and counting rules should be both rational and reasonable. The process should focus on rules that have meaning, that produce resources counting towards clear requirements, and satisfying a qualified and quantifiable need.

b. Must Offer Obligations and RAAIM

Since the RA Enhancements initiative seeks to explore holistically the relationship between all parts of CAISO’s implementation of the RA program, it would be beneficial to examine each aspect of the

¹ Resource Adequacy Enhancements – Issue Paper (p.3)

current program for its merits and shortcomings, as foundation to the development of a superior alternative.

Specific to the MOO and RAAIM, PG&E requests the following questions be considered by the CAISO to inform discussion:

- Has the inclusion of a MOO – whether it be for generic RA or each of the three categories of flexible RA – provided material benefits to meeting a specific reliability requirement?
- Has the application of RAAIM to resources – whether the assessment hours wholly or partially correspond to the obligation hours – resulted in material benefits to assuring reliability?
- Or does the complex system of offer obligations, outage exemptions, and availability incentives reveal a lack of belief in the energy market and that the prices it produces can provide adequate incentives to resources to provide needed reliability?

c. Outage Management and Substitution Rules

PG&E stresses the importance of revisiting and reforming outage management and substitution rules. There should be greater clarity and certainty for market participants. For example, how are generation and transmission outages currently being coordinated by the CAISO?

PG&E encourages a review of transmission and generation outage management, as well as increased coordination between the CAISO and Scheduling Coordinators to preserve the scope and timing of maintenance outages for both transmission and generation resources. Outage approval should better weigh the near-term risks of an outage against the long-term risk of indefinitely deferring critical maintenance.

For example, recent Business Practice Manual (BPM) changes (i.e.: Proposed Rule Revision 1074) do not reflect operational reality and have made the outage management process inflexible, ignoring root issues. As it is, long-planned transmission outages are occasionally rejected by the CAISO due to insufficient substitution for impacted RA resources, even if that deficiency is short-lived and does not represent a risk from the perspective of the transmission security constraints. Traditional RA, may not be the best metric to judge the reliability risk of an outage.

In truth, certain outage management and substitution issues require resolution far sooner than the two or more years required to implement RA Enhancements. Nevertheless, a complete review of outage management and substitution rules should be among the priorities of the RA Enhancements initiative.

3. Other items

PG&E agrees that many of the other issues outlined in the issue paper are important and need attention. However, those issues are of comparatively lower priority and could be deferred to later consideration.