

Comments of Pacific Gas & Electric Company CAISO 2016 Stakeholder Initiatives Catalog and Roadmap

Submitted by		Company	Date Submitted
Matt Lecar MELJ@pge.com 415-861-9948	CB Hall cbh7@pge.com 415-939-3053	Pacific Gas & Electric	November 5, 2015

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to submit comments on the CAISO's 2016 Stakeholder Initiatives Catalog and Roadmap, which was posted on October 7th and discussed during a stakeholder call on October 15th.

PG&E understands that the CAISO has identified a full plate of initiatives for 2016, including six separate initiatives addressing possible regional expansion, and that the CAISO is therefore not inviting stakeholders to rank preferred discretionary initiatives for inclusion in the 2016 catalog. While PG&E appreciates that the CAISO may not have sufficient resources to undertake additional initiatives beyond those identified in the draft 2016 catalog, PG&E is concerned that fundamental issues involving the performance of CAISO's existing markets may not get the attention they deserve. For example, in recent months there has been a high frequency of DC solutions in real-time intervals, a concerning trend. While the CAISO is clearly aware of this particular problem, PG&E believes that the CAISO should prioritize addressing (in a stakeholder initiative and within a reasonable time frame) this type of fundamental market problem in the future.

PG&E recommends that the CAISO add three initiatives to its 2016 catalog: (1) CRR Revenue Inadequacy; (2) Interconnection Assessment of Storage Chargeability; and (3) Multi-Segment Ancillary Services Bidding. The scope of each of these initiatives is described further below. The first two initiatives (CRR Revenue Inadequacy and Interconnection Assessment of Storage Chargeability) involve important issues of near-term concern with respect to the CAISO's current market configuration. PG&E believes these two topics should be addressed in a timely manner and requests that CAISO prioritize these topics as new stakeholder initiatives to be launched in 2016. With respect to the third initiative (Multi-Segment Ancillary Services Bidding), PG&E is simply requesting that the CAISO add this initiative to its catalog with the expectation that CAISO will address the topic after work on the two previously discussed initiatives has been completed. Finally, since the CAISO may not have sufficient resources to take on two additional initiatives in 2016, PG&E recommends that the CAISO deprioritize initiatives identified in the draft 2016 roadmap that have a low ratio of expected benefit to expected effort. For example, PG&E believes that the CAISO should deprioritize the Fifteen-Minute Market Intertie Liquidity initiative, if during the course of the stakeholder process it becomes apparent that significant effort will need to be extended while yielding uncertain benefits.

1. CRR Revenue Inadequacy

PG&E is concerned by the large sums of CRR revenue inadequacy that have occurred over the last year and half. Revenue inadequacy totaled \$200 million in 2014 and approximately \$80 million through Q3 of 2015. These figures are roughly two orders of magnitude greater than what PG&E might consider acceptable. While the CAISO has clearly recognized this problem and is making progress, the magnitude of the revenue inadequacy is still significant and is being borne by load-serving entities. The CAISO's Department of Market Monitoring (DMM) recognized the problem and in October 2014 proposed a design solution. PG&E supports the DMM's solution and recommends that the CAISO move forward with a stakeholder initiative as soon as possible.

2. Interconnection Assessment of Storage Chargeability

PG&E appreciates that the CAISO initially addressed how chargeability would be addressed for storage projects as part of the Energy Storage Interconnection Initiative. PG&E supports the treatment of energy storage participating in the CAISO wholesale market under the current generator interconnection procedures. However, PG&E is concerned that the current interconnection study process does not provide sufficient clarity as to the potential restrictions on chargeability. The lack of clarity on the chargeability of the energy storage project presents a significant commercial challenge to PG&E's storage procurement activities. Without the ability to assure some level of chargeability for projects, the buyer/offtaker and its customers carry all the risk that procured storage projects will face charging constraints that reduce the economic value of the procured project. With the mandated storage procurement targets for the IOUs, the CAISO needs to enable some way for buyers/offtakers to mitigate the risk of projects not being able to charge. Accordingly, PG&E recommends that the CAISO launch an initiative to examine how the interconnection process could be modified to mitigate chargeability risks and seek resolution of these topics prior to the 2016 Energy Storage RFO.

3. Multi-Segment Ancillary Services Bidding

As explained by the CAISO in its March 2012 report to FERC, "... multi-segment bidding for ancillary services allows scheduling coordinators to bid different quantities of an ancillary service from a resource with corresponding prices, which vary with differing levels of the resource's output. This feature would allow scheduling coordinators to submit bids that reflect variable costs to provide ancillary services from different operating levels of a resource. This feature could also potentially lead to more efficient awards of ancillary services by allowing the ISO to consider the costs of reserving capacity at different operating levels." PG&E supports this topic as a new stakeholder initiative and questions why it was left out of the catalog.