



**Supplemental Comments of Pacific Gas & Electric Company**  
Local Market Power Mitigation Enhancements 2018 –  
Post-Working Group Supplemental Comments

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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Pacific Gas and Electric Company (PG&E) offers the following supplemental comments on the California Independent System Operator’s (CAISO) Local Market Power Mitigation Enhancements 2018 following the October 10<sup>th</sup> working group meeting.

PG&E agrees that the current DEB calculation for use-limited hydro resources should be updated to more accurately represent the value of hydro production including the opportunity cost to produce at other times and effects on interrelated generating locations. This issue was brought up by the CAISO and expanded upon in the Powerex DEB calculation proposal.

CAISO should not, however, engage in a wholesale change of the structure of the DEB and mitigation scheme as suggested by the Powerex proposal.

Powerex presented three different DEB calculations for EIM hydro resources based up the length of the resources storage horizon. Powerex’s proposed remedies are overly generous to a subset of hydro resources. Powerex’s proposal allows hydro resources to bid above their costs and avoid mitigation in a majority of hours since that bid might still be below the DEB. The Powerex proposal for an adder of 150% and 100% respectively for short-term storage and within-month storage hydro resources was based on an analysis that looked at the total days in the year that resources are dispatched inefficiently in a simulated scenario where mitigation was applied every day in 2017. Since mitigation would not occur every day, the analysis should have incorporated the probability that mitigation occurs, if the end metric was to be the total number of days of inefficient dispatch and depletion of water resources.

While the calculation of opportunity cost is more complicated for EIM hydro resources because of their ability to sell at multiple locations, they should still have to negotiate a rate with an independent third party to ensure an unbiased calculation of a fair default rate. Further, each mitigation scheme should be consistent with the physical characteristics of an asset, rather than applied to an entire class.

PG&E would support working with the CAISO to make the negotiated rate option more streamlined and efficient to more fairly allocate a DEB not only to EIM hydro resources but also to existing hydro resources.