

Stakeholder Comments Template

Subject: Generated Bids and Outage Reporting for Non-Resource Specific RA (NRS – RA) Resources

Submitted by	Company	Date Submitted
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- The ISO has identified three potential methodologies for calculating generated bids for NRS-RA resources. They include a price-taker option, the LMP-based option, and a negotiated option. Please comment on your preferences or concerns with respect to these options.**

- In the case that the NRS – RA resource fails to bid in its full dispatchable RA capacity into the Day Ahead Market, the CAISO recommends extending the last segment of the resource’s energy bid curve to its dispatchable RA MW quantity; this is consistent with the practice for resource-specific RA resources.

PG&E supports extending the last segment of the resource’s energy bid curve to the full RA MW quantity when an NRS – RA does not bid in all of its dispatchable RA capacity.

- The CAISO has recommended three options for inserting bids for NRS – RA resources that do not submit *any* bids into the Day Ahead Market:
 - Option 1 – Price-Taker Bid: The CAISO would insert a price-taker (\$0/MWh) bid on behalf of an NRS-RA that does not offer into the Day Ahead Market.
 - Option 2 – LMP-based Generated Bid: The CAISO would insert a bid equal to the weighted average of the lowest quartile LMPs set by the NRS – RA during Trading Hours in the last 90 days when the resource was dispatched.
 - Option 3 – Negotiated Rate Option: Under this option, an independent entity would use documentation supplied by the NRS – RA and its discretion to determine the value of the inserted bid.

In the case that the NRS – RA does not submit a bid in the Day Ahead Market, PG&E supports Option 3 and believes it to be the best solution.

PG&E does not support Option 1; this option presents a reliability concern because it could result in a NRS – RA price taker bids displacing higher bids upon which the bidders would have provided energy had they cleared the market.¹ Further, placing an automatic \$0/ MWh bid for energy at the interties could distort price signals because no value would be assigned to a potentially valuable resource; it is preferable to insert a bid that reflects the value of a resource to the market. It also should be noted that Option 1 is not available for resource - specific resources; therefore the implementation of this option would eliminate the parity between the various classes of resources.

PG&E believes that Option 2 does not present the best solution; it can result in the insertion of bids that do not accurately reflect the value of an NRS – RA resource; for example if the resources fails to bid its RA capacity during a day in the month of June, the DEB could be calculated using LMP data from March (i.e. the previous 90 days) when prices for energy can be markedly lower than in the summer. This would result in an abnormally low bid being inserted for a resource providing capacity during times of high demand. Further, Option 2 cannot be used to calculate a generated bid if there is an insufficient number of dispatches over the past 90 days.² However, assuming the availability of Option 3, PG&E would not be opposed to including Option 2 as an additional option, if particular NRS – RA owners prefer it.

PG&E supports Option 3 and request its adoption by the CAISO. Unlike Options 1 and 2, the negotiated rate option would not present any reliability issues and would ensure that generated bids accurately reflect an NRS- RA's value; this would allow for the selection of appropriately priced bids for use in the market run.

2. Please provide any suggestions you have regarding what information should be used to inform the development of a negotiated bid for non-resource specific system resources.

¹CAISO Staff: *Generated Bids and Outage Reporting for NRS – RA Resources, Dec. 18, 2009, p .10.*
<http://www.caiso.com/2488/2488b6f62e070.pdf>

² For example, Appendix D of the BPM for Market Instrument states that: “ for a segment to be eligible to be calculated via the LMP methodology for the DA Peak DEB then a dispatch within that segment must have occurred a minimum of 29 times in the last ninety days”. In the event that are not enough dispatches to calculate an LPM based DEB, a second choice (i.e. a negotiated rate option or a variable cost option) will be substituted for that particular segment.

Negotiated DEBs could be based on projected RA availability and generation for each month, using a method analogous to that used in developing negotiated DEBs for use-limited resources.³

3. In keeping with the aim of treating NRS-RA resources as similarly as possible to resource-specific RA resources, the ISO proposes the adaptation of the forced outage reporting requirements for resource-specific resources. Please provide your comments on the proposed adaptation provided in the December 18th Issue Paper.

In its Issue Paper, the CAISO noted two concerns with tracking and determining outages for NRS – RA:

1) The Real Time Market optimization ignores the generated bids submitted in the Day Ahead for any resource - specific RA resource that is on an outage.

Currently, this cannot be done with respect to NRS –RA because the necessary linkage does not exist between SLIC. Without this linkage, an NRS-RA resource that submits an outage after the close of the Day Ahead Market will not have those outages communicated to the Real Time Market, and thus SIBR will insert bids on behalf of those NRS-RA resources.⁴

2) Some NRS - RA resources do not have an obligation to be offered in all hours. However, the current version of SIBR cannot accommodate the insertion of bids for only some hours. Without a change to this limitation, it is possible for bids to be inserted for an NRS-RA resource for hours in which it was not required to offer its RA capacity.

PG&E believes that these two concerns will be resolved after the implementation of the current Winter Release; we would like the CAISO to confirm this. PG&E recommends that the CAISO resolve these outstanding issues with SIBR and SLIC before inserting bids on behalf of NRS – RA resources.

PG&E requests that there be a link between the NRS – RA outages entered in SLIC and the Resource Adequacy Availability Management (RAAM) Tool, so that PG&E and the CAISO can obtain the appropriate availability values for these resources. This is a reasonable request given that the CAISO committed to compiling sufficient data about the historic availability of NRS – RA resources so that it can determine an appropriate availability standard for NRS – RA resources.⁵

³ California Independent System Operator Corporation, Docket No. ER06-615: *Informational Filing of Negotiated Default Energy Bids Request for Privileged Treatment under 18 C.F.R Section 388.112*, September 8, 2009, p.2-3. (<http://www.caiso.com/2423/2423eef95d8d0.pdf>).

⁴ CAISO Staff: *Generated Bids and Outage Reporting for NRS – RA Resources*, Dec. 18, 2009, p .10. <http://www.caiso.com/2488/2488b6f62e070.pdf>

⁵ A California Independent System Operator Corporation, Docket No. ERO9-1064: *Standard Capacity Product Compliance Filing*, August 10, 2009, p.7. (<http://www.caiso.com/2407/2407cd2e43e10.pdf>)

