



Comments of Pacific Gas & Electric Company Reliability Services Initiative – Phase 2 – Revised Straw Proposal

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Reliability Services Initiative (RSI) Phase 2 Revised Straw Proposal.

In summary, PG&E recommends the following:

- CAISO should not adopt a specific local capacity designation as it adds complexity without commensurate benefits.
- PG&E would appreciate the CAISO exploring with the CPUC and other stakeholders the potential to set a deadline for final NQC and EFC lists.
- PG&E supports greater LRA and CAISO alignment.

1. CAISO should not adopt a specific local capacity designation as it adds complexity without commensurate benefits.

In the Revised Straw Proposal, CAISO proposes to create a specific local capacity designation in CAISO RA filings. PG&E does not view this designation as providing value to market participants and adds regulatory complexity to an already complex regulatory process. As far as PG&E understands, this request was made based on local resources viewing the RA compensation associated with their unit as insufficient to provide Local RA substitution. The statement that triggered this designation, where a Local RA resource has been “shown” or “procured” for a system RA requirement, is a misnomer and an incorrect statement. As there is no current local designation, it is impossible to show a resource as local or system, it is simply shown for an RA filing. While PG&E might be motivated to purchase the resource for the System RA requirement, this fact alone does not indicate that the Local RA attributes associated with the Local RA resource have not been purchased. All the market participants that PG&E has worked with on RA transactions use a RA confirmation agreement that specifies that all attributes associated with the procured unit, unless otherwise specified, are purchased. This includes Local RA attributes. Therefore, any argument that a Local RA resource has been procured without its Local RA attributes is dubious. It is simply that the compensation has been deemed unsatisfactory by the Local RA resource. If the resource has provided a bid lower than its forecasted risk associated with

Local RA substitution in order to ensure that it will be contracted, this situation clearly indicates that the Local RA premium associated with that capacity is not significant. Therefore, by providing that bid, the resource is taking any inherent risks associated with it, including Local RA substitution.

Furthermore, while the benefits of this designation seem low, it does not appear to PG&E that the CAISO has a clear understanding of the significant costs associated with such a change. In order to indicate whether a Local RA resource is being shown for system and local, the LSE would need to track at least two new details: 1) whether the resource is contracted as a Local RA resource, and 2) whether resources have been shown as Local RA or System RA on an RA filing. These items will be necessary for an LSE to understand its RA position for substitution for planned outages in the T-11 filing and for forced outages during the showing month if it also serves as a Scheduling Coordinator. These changes are not insignificant and increase the likelihood of errors and delays in submitting accurate LSE and supply plans.

In its initial response to NRG's proposal, CAISO highlighted issues that may result from designating local capacity in CAISO RA filings due to the fact that CAISO reliability studies assess the system as a whole and do not differentiate between whether resources are "shown" as local or system. PG&E is concerned that allowing resources located within a local area to be shown as system resources and substituted for with system resources could result in an increase in CPM designations, resulting in increased costs to its customers. PG&E requests that CAISO provide additional information demonstrating that there will be no adverse impact that results from creating a distinction in the RA showing that is not reflected in CAISO's reliability studies.

2. PG&E would appreciate the CAISO exploring with the CPUC and other stakeholders the potential to set a deadline for final NQC and EFC lists.

During the October 14th RSI Phase 2 Revised Straw Proposal stakeholder call, SDG&E requested the CAISO set a deadline by which final EFC and NQC lists would be published. PG&E echoes SDG&E's request. This deadline would allow LSEs to contract for their full requirements without the uncertainty of whether a resource's capacity will be reduced. This deadline should be set through a collaborative discussion between LSEs, LRAs, and the CAISO, as each has a role to play in adhering to the deadline.

3. PG&E supports greater LRA and CAISO alignment.

PG&E supports and appreciates the CAISO's focus on alignment between LRAs and CAISO, as well as streamlining the RA filing process. The change in the deadline for LRAs to provide its RA guidelines to CAISO from September 1st to October 1st is helpful, however PG&E looks for the CPUC's feedback as to whether this date is appropriate based on the current schedule.