

Comments of Pacific Gas & Electric Company

Temporary Shutdown of Resource Operations – Draft Final 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) Temporary Suspension of Resource Operations – Draft Final Proposal, which was posted on September 6, 2017.

While PG&E understands of the theoretical arguments for permitting generators to temporarily suspend resource operations for economic reasons, PG&E does not support the TSRO Draft Final Proposal as drafted. In PG&E's view, the TSRO proposal has not been sufficiently thought through and justified by the CAISO and stakeholders. PG&E requests that the CAISO modify the initiative schedule to allow for a third iteration of this proposal (as was envisioned at the start of the initiative).

1. Please indicate whether you support the Draft Final Proposal.

Comments:

PG&E does not believe that CAISO has yet provided sufficient evidence that implementing the proposed TSRO program will provide meaningful relief to resource owners struggling to operate in a market which will be long on capacity for the foreseeable future. As CAISO has indicated during stakeholder calls, it does not believe the TSRO program will be used by most generators. As a result, it will have minimal impact on addressing the long-term retention of sufficient generation capacity to maintain reliability. At best, the TSRO program may serve as a stop gap measure for a small pool of generators, and only delays the need to develop of a more comprehensive and longer-term solution. At worst, the CAISO will have missed an opportunity to develop and put in place incentives leading to the wide-spread use of the TSRO program, to the detriment of the efficiency of its wholesale markets.

In addition, implementation of a TSRO program could create perverse incentives or unintended changes to the RA markets. PG&E certainly appreciates CAISO's efforts to address the concerns we raised in comments on the Straw Proposal, however, we remain unconvinced that the proposed market design contains enough safeguards. Additionally, we remain concerned that a TSRO program will incentivize generators with flexible (maintenance) outage scheduling parameters to apply for a TSRO outage in lieu of a standard maintenance outage, which in turn could have adverse implications for reliability and over procurement. It is for these reasons that

PG&E believes that a TSRO program should be more fully vetted in context of related planning and compliance processes - including the CPM RoR and RMR designation processes, annual/monthly RA compliance requirements, and the outage management process.

Lastly, PG&E believes that the proposed TSRO program by itself overly complicates the business processes load serving entities must follow to comply with the RA program and other mandates.

A. Proposed TSRO program could skew generator incentives, leading to higher costs

The Draft Final Proposal clarified that there will be no requirement that the resource owner show that the resource is in economic distress or that it is uneconomical for the owner to operate the resource. PG&E is concerned about the incentives created if resource owners can submit TSRO outage requests regardless of the economics of an efficient plant in order to facilitate price discovery and exert market power from another plant they own. For example, will all generators without an RA contract either seek a TRSO (or RMR) even if they are economically viable based on their costs, because the upside revenues create an incentive to ask for a TRSO?

In addition, if CAISO denies a TSRO outage request for any month within the shutdown period requested, the CAISO will provide a CPM payment for the whole unit for all the months requested. PG&E believes it is unjust and unreasonable, for instance, to compensate a generator for a 4-month outage to address a 1-month reliability need.

PG&E is also concerned that the TSRO program will incentivize generators with flexible (maintenance) outage scheduling parameters to apply for a TSRO outage in lieu of a standard maintenance outage. In this case, a generator would be indifferent between the two options if the outage is approved, but only stands to benefit financially if its outage request was denied via the TSRO process and it is compensated through a CPM payment.

Lastly, PG&E is concerned that the concept of an *early return adder* has never been fully vetted with stakeholders yet CAISO is willing to go forward with its implementation. PG&E requests that CAISO provide additional information on the methodology it proposes to use to calculate a fair early return adder.

B. The proposed TSRO program will have minimal impact on addressing the long-term retention of sufficient generation capacity to maintain reliability.

Based on written comments already provided by generators and informal conversations with resource owners during this market design initiative, PG&E remains unconvinced that the proposed TSRO program can provide meaningful relief to generators, and in fact provides them with the means to put off making difficult but essential decisions about the future of their generation portfolios.

In electing not to consider the TSRO program in the context of CPM RoR, RMR, and other planning and reliability programs, the CAISO is missing a valuable opportunity to take a meaningful and holistic view of risk of retirement issues, and fashion a robust long-term solution. PG&E fears that at best, a TSRO program would provide a stop gap measure with limited benefits.

C. Proposed TSRO program overly complicates compliance with RA program and other mandates

The existing timelines of the RA compliance and CSP bid submittal do not appear to align with proposed TSRO timelines. For example, the TSRO assessment process concludes 8 days before the first of the operating month. Due to the advanced notice needed to impact RA procurement and filings, LSEs options for accounting for 4-month CPMs in their procurement and filings, are severely limited. In addition, the requirement of a resource to submit CSP bids for all 4 months if the resource requests a 4-month TSRO does not appear to fit with the CSP timeline, as the fourth month's CSP bid would need to be submitted 128 days before the delivery period. Unless CSP bids are locked before the current due date, the current structure appears to be misaligned.

D. Methodology for reliability studies may result in over procurement of RA

PG&E believes that the load forecast used to assess reliability need under a TSRO program should be consistent with the Local, System or Flexible requirement that are currently being used for RA filings. In addition, we believe that additional gaming opportunities could be created if the criteria for TSRO denials are different from the capacity deficiency assessments conducted after RA filings are submitted as part of the CPM.

E. Additional Clarification Needed

PG&E requests that CAISO provide additional information on (a) any notification requirements resource owners will be bound by if their resource enters into an RA contract over the course of an approved TSRO outage window, and (b) what performance obligations, if any, will be tied to the months when a resource receives a CPM but is not needed.

2. Please provide any additional comments.

Comments: PG&E believes that, before moving forward on a process like the TSRO, CAISO should work with generator owners to understand in practice exactly how it would be used and the costs savings generators might find. For example, CAISO and stakeholder would benefit from a detailed understanding of how a 1 -4 month outage would be conducted, and the practical implications for the CAISO and generators from not being available.