

Comments of Pacific Gas & Electric Company

Temporary Suspension of Resource Operations – 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) Temporary Suspension of Resource Operations – Straw Proposal, which was posted on June 21, 2017.

While in concept PG&E understands the merits of permitting generators to seek authority to temporarily suspend operations for economic reasons, we do not support the TSRO Straw Proposal as we do not think the risks its implementation creates outweigh the potential benefits. Our primary concern is that the CAISO has not framed the issue of temporary suspension in the context of a larger discussion of the overall capacity retirement/retention process of determining generation needed for reliability that is procured at the least cost. PG&E continues to believe that the key issue facing the CAISO is the Risk of Retirement. At best the TSRO would provide a stop gap measure with limited benefits, and at worst could create perverse incentives or unintended changes to the RA incentives. Without analyzing the interplay between the TSRO and a number of related processes - including the CPM RoR and RMR designation processes, annual/monthly RA compliance requirements, and the outage management process – the CAISO risks implementing an initiative that skews generator incentives and leads to significant unintended consequences, including expanding gaming opportunities, which could lead to higher RA procurement costs, or result in a net increase in CPM awards.

The TSRO/CPM RoR/RMR interplay cannot be fully appreciated until the CAISO provides an outline of the purpose of each designation, inconsistencies between them, potential overlaps, and side by side comparisons of the costs/benefits each designation provides the market. PG&E urges the CAISO to provide these details in its second Straw Proposal.

Implementation of the TSRO could also add unnecessary complexity to the existing RA procurement, outage management, and related processes. In addition, PG&E believes that the Straw Proposal has limited applicability and thus will have minimal impact on addressing the long-term retention of sufficient generation capacity to maintain reliability. Our concern is that

the implementation of a TSRO regime only delays the development of a more comprehensive and longer-term solution while creating additional risks to customers.

PG&E also objects to the fact that the proposal does not ensure that Scheduling Coordinators (SCs) will receive credit towards their RA obligations if a TSRO request is denied by the CAISO, which in turn could result in RA over-procurement by SCs.

1. Who is eligible?

Comments:

In its Straw proposal, CAISO proposes to limit the TSRO provision to non-RA and non-RMR capacity. It further defines that RA capacity as capacity that is either “shown” as RA capacity in a RA showing, or capacity that has been procured under a RA contract but may not be shown on a RA showing.

PG&E supports the proposed eligibility criteria. In addition, PG&E proposes that any capacity that has received a CPM designation should be precluded from seeking a TSRO designation, as said capacity is essentially treated as RA capacity over the designated period.

2. Whether the CAISO may allow a Participating Generator to temporarily shut down operation of its Generating Unit for economic reasons.

Comments:

As described previously, PG&E opposes the promulgation of a TSRO regime, primarily out of concern that its introduction skews incentives and leads to unintended consequences.

For instance, under the TSRO regime a generator with flexible (maintenance) outage scheduling parameters may be incentivized to submit a TSRO request in lieu of one for a standard maintenance outage. While the generator may be indifferent between the two options if the outage is approved, requesting a TSRO has the added benefit of potential financial compensation if the request is denied, or if the resource is brought online as a result of the CAISO exercising its proposed 10-day return-ability option. This financial compensation is not available to resources that provide generic maintenance outages.

3. The conditions under which the CAISO may grant a request for temporary shutdown.

Comments:

PG&E has no comment at this time.

4. Reliability Studies.

Comments:

The CAISO proposes to make approval of a TSRO request conditional on the results of the same type of reliability studies conducted for maintenance outages in addition to traditional CAISO studies used for capacity purposes. PG&E requests that the CAISO provide greater transparency into the methodologies and results of said studies conducted for TSRO analysis, as these types of reliability studies have not been previously used in CPM assessments or to set RA requirements. Since the financial impact of a TSRO denial is likely to be greater than how these studies have been traditionally used, more documentation of the methodology, contingencies, and the inputs to the studies is needed to provide greater transparency into the CAISO's decision making process.

For example, when the CAISO has a conflict between planned outages for physical reasons, the last outage submitted will be the first outage requested to be rescheduled. If the outage conflict cannot be resolved, the CAISO can deny the planned outages for reliability reasons. The CAISO's TSRO proposal indicates it plans to mirror the existing reliability study process; however additional clarity is needed to understand how TSRO outage requests will interact with the existing process.

PG&E also asks the CAISO to describe the type of market power tests or mitigation rules that are envisioned as a part of the TSRO evaluation.

5. The form of compensation, if any, that the CAISO would provide the Participating Generator if the CAISO denies the Participating Generator's request to take the Generating Unit out of service for a temporary shutdown.

Comments:

The CAISO is proposing to pay generators who are denied a TSRO request with a CPM, which will be (a) its CPM bid price, if the resource has submitted one into the CPM competitive solicitation process ("CSP"), or (b) the CPM soft offer cap price, if the resource does not bid.

PG&E believes that a generator should be compensated for the savings it could have realized by taking a shutdown (i.e. the generator's opportunity cost). To this end, PG&E proposes that a generator whose TSRO request is declined should be required to file documentation demonstrating forecasted avoided costs associated with a shutdown (e.g. payroll, employee benefits, property and payroll taxes, etc.).

If the length of the denied suspension period is greater than one month, LSEs should receive resource adequacy "credits" towards their obligation. The CAISO tariff contains provisions for this type of credit allocation. A process to allocate local exceptional dispatch CPMs, however, has yet to be developed even though they last 60 days. CAISO should use this initiative to correct this inconsistency.

PG&E asks the CAISO to describe how other Balancing Authorities with similar temporary suspension provisions (e.g. NYISO) have dealt with the question of compensation.

6. The CAISO may want to establish a limit on the minimum amount of time that a Generating Unit can shut down its operations, and perhaps a maximum amount of time.

Comments:

PG&E supports the establishment of limits (both minimum and maximum) to the time that capacity can suspend operations for economic reasons. However, assessing the optimal duration of a single TSRO period remains challenging, as the CAISO has yet to paint a clear picture of how a TSRO process aligns with other backstop procurement and established planning processes.

It's still unclear, for instance, how many consecutive TSRO requests CAISO could in theory accept before it refers the resource owner to the CPM RoR process. It is also unclear what the absolute maximum (continuous) time period a resource owner has to determine what it'll do with the resource on TSRO.

PG&E recommends that approved TSRO requests have a uniform time period of 4 months, with the possibility of a single extension request. PG&E also recommends that CAISO describe what recourse generation owners will have once they run out of TSRO extensions. For instance, does the generator automatically moved in to the Risk of Retirement assessment process, or fall under the new mothballing provisions (Scenario 4) being considered in the PRR for Section 11 of the BPM for Generator Management?

7. The CAISO will need to establish a specific timeline for requesting shutdown of operations allowing for appropriate operations planning time and notification of approval and denial.

Comments:

PG&E has no comment at this time.

8. Is there a level of “return-ability” that would need to be maintained while the Generating Unit is in shutdown status?

Comments:

In the Straw Proposal CAISO retains the right to call a resource back into service early if there is an emergency on the grid. In that case, the resource owner will have 10 business days to come back into operation and the CAISO will then owe the resource a CPM payment as the resource is now needed for reliability.

PG&E does not oppose this, but urges the CAISO to document and make public the methodology it will use to determine (a) if TSRO resources need to come back from suspension inside a 10 business day period, and (b) which units (when more than one is under suspension) to bring back from suspension, should system conditions require this action.

PG&E also urges CAISO to make clear if there are any conditions under which a resource can voluntarily come back from suspension before the TSRO period concludes, as well as the consequences of being unable to return within the 10 business day period.

9. If a Participating Generator has temporarily shut down operations of its Generating Unit, would it be eligible to be used as a RA resource in a RA showing for that period?

Comments:

Under some circumstances PG&E believes that LSEs should be permitted to use TSRO capacity in an RA showings, particularly if their stack of substitution resources is impacted by unforeseen events (e.g. forced outages), and the resource in question has the capacity to be fully operational over the period of the RA showing.

10. If a Generating Unit has shut down operations in one BAA and is now operating in an adjacent BAA, would it be eligible to be counted as a RA resource in the BAA for which it has shut down its operations?

Comments:

PG&E agrees with proposal to limit RA eligibility to capacity operating in the CAISO BAA.

11. Other Comments

Please provide any additional comments not associated with the topics listed above.

Comments:

PG&E has no additional comments at this time.