



Pacific Gas and Electric's Comments on Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper

Submitted by	Date Submitted
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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for the CAISO's Phase 2 Standard Capacity Product (SCP) Initiative and to submit comments regarding the March 18, 2010 'Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper'. PG&E's comments address two issues: 1) *Availability Calculation for Resources Whose Net Qualifying Capacity (NQC) is based on Historical Data*, 2) *The Replacement Rule*, and 3) *Grandfathering of Intermittent Resources*.

PG&E's Position on the NQC Calculation

PG&E supports the CAISO's original proposal for calculating the availability of resources whose NQC is based on historical data. This proposal recommends using only the proportional derate metric without accounting for actual energy delivery.

PG&E's Position on the Replacement Rule

PG&E supports retaining the current replacement rule for the time being to allow for further stakeholder discussion of alternative approaches.

PG&E's Position on Grandfathering of Intermittent Resources

PG&E believes that the grandfathering provision for intermittent resources should become effective 60 days after the date of the CAISO's SCP II tariff with FERC.

1) Availability Calculation for Resources Whose Net Qualifying Capacity (NQC) is based on Historical Data

CAISO Original Proposal

In the February 19 Draft Final Proposal the CAISO proposed using the following *proportional derate metric* to calculate availability for resources whose NQC is based on historical data:

$$(a) \left(\text{Min } 100\%, \left(\text{NQC} * \frac{\text{De-rated Pmax}}{\text{Pmax}} \right) \right)$$

RA Sold

CAISO Alternative Proposal

CAC, CPUC, and SCE submitted comments stating that the CAISO's proportional methodology could satisfy the measurement of wind and solar facilities but that this availability calculation was not proper for qualified facilities (QF's).¹ In response, the CAISO altered its proposal to consider the actual energy delivery in determining the availability of these resources. Specifically, the CAISO proposed the following formula:

$$(b) \text{Min} \left(100\%, \text{Max} \left(\frac{\text{actual energy delivery}}{\text{proportional derate metric}} \right) \right)$$

RA Sold

Comments

PG&E supports the CAISO's original proposal and does not support the CAISO's alternative proposal.

Using actual energy delivery to calculate the availability of these resources is inappropriate. The calculation of availability should only be impacted by the resource's forced outage and not its actual energy delivery, which will be reflected in its NQC calculation for future years. Using actual energy delivery to calculate both the resource's availability and its NQC can lead to doubly rewarding that resource for its performance: once in the form of availability rewards (or avoided availability penalties) and another in the form of an increased NQC value that will be calculated in the following years.

Further, the CAISO's alternative proposal is asymmetrical. Formula (b) only serves to protect resources with actual energy delivery in excess of their proportional derate metric but does similarly penalize resources with actual energy deliver below their metric. This asymmetrical treatment results because the proportional derate metric acts as an availability floor. The inconsistent use of actual energy delivery when calculating availability calls into question the validity of the alternative proposal.

Consider the CAISO's example of an intermittent resource that sells 10 MW of RA and has a Pmax of 100 MW, a forced outage of 50 MW, and an NQC of 15 MW.² The proportional derate metric (formula (a)) would calculate the resource as 75% available.³

¹ In its March 18, 2010 'Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper', the CAISO incorrectly asserted that PG&E agreed with the position advocated by CAC, CPUC, and SCE. This is incorrect. PG&E has not provided written or verbal comments to the CAISO opposing the proportional derate method.

² This example is taken from slide 14 of the CAISO's March 24th presentation: <http://www.caiso.com/2761/2761ee02f220.pdf>

³ $\frac{15 * (50/100)}{10} = \frac{7.5}{10} = 75\%$

Under the CAISO's alternate proposal, if the unit's actual output was 12 MW, it would be considered 100% available (i.e., the unit gets the advantage of the actual delivered energy in the availability calculation). However, if its actual output was 2 MW, it would still be considered 75% available rather than 20% available based on the actual energy delivery. The 75% availability calculated by the proportional derate metric acts as an availability floor, and the unit is not symmetrically disadvantaged by the low actual delivered energy.

2) Replacement Rule

CAISO Original Proposal

In the February 19 Draft Final Proposal, the CAISO proposed that the supplier make a best effort to replace local RA requesting a planned outage with a non-RA resource in the same local area. If a supplier is not able to find a local non-RA resource, then resources outside the local area *must* be offered. In the event that the CAISO finds it requires ICPM capacity in a local area during the time the RA resource is out of service, a supplier who could not provide replacement capacity in the same local area will be responsible for a portion of the ICPM costs.

CAISO Alternative Proposal

The CAISO is offering two alternative proposals:

- Option 1)** Retain the current replacement rule to allow stakeholder discussion of alternative approaches. Potential alternatives would be discussed in CPUC's RA Phase 2 proceeding, which will begin in the first quarter of 2011.
- Option 2)** An RA resource taking a planned outage for longer than one week will have the *opportunity* to replace the RA resource during the planned outage period with a non-RA resource.⁴ A local RA resource has the option of using system RA to replace its RA capacity in the event of a planned outage, and the CAISO may, (a) deny or reschedule the requested planned outage, (b) approve the requested outage and procure additional replacement capacity through the ICPM or (c) approve the requested outage and not procure additional replacement capacity.

⁴ The alternative proposal is based on the proposal outlined in the CAISO's January 19, 2010, SCP Straw Proposal.

Comments

PG&E supports Option 1 of the CAISO's alternative proposal and does not support the CAISO's new alternative (Option 2) or the original proposal.

The CAISO's original proposal recommends the enforcement of replacement requirements that are independent of a reliability assessment; there may be many instances in which LSEs are forced to procure additional, but unneeded, RA. Replacement shouldn't be required as long as the overall RA total for all LSEs combined for a given month is over 115%.

While Option 2 of the CAISO's alternative proposal offers more replacement flexibility, it still doesn't reflect the necessary coordination with the CPUC's current counting rules. For example, currently, Local RA Filings are not affected by scheduled or forced outages.⁵ However, this proposal would subject the supplier of a local resource to potential penalties when its unit experiences a planned outage for greater than one week. Furthermore, when a system RA unit takes a planned outage for 1 - 2 weeks, the CPUC still allows it to count between 25% - 50% of its NQC.⁶ Under this proposal, the supplier could be responsible for replacing the entire capacity of a unit that has taken a planned outage.

In addition to there being a disconnect between Option 2 of the CAISO's alternative proposal and current CPUC counting rules, there are several other issues that need to be addressed. For example, by the CAISO's own admission, changing the replacement rule will require it to clarify the timeline and mechanics for reviewing and approving monthly supply plan submissions. Also, criteria will need to be developed to determine the acceptability of replacement capacity the method for allocating costs when multiple scheduled outages collectively require replacement capacity.⁷ These issues cannot realistically be resolved by the May 17 - 18 Board of Governors Meeting.

PG&E continues to support making the supplier responsible for replacing RA capacity during a planned outage but within a framework that is synchronized with the CPUC's rules and processes; determining the best way to achieves this will require additional discussion and input from stakeholders. However, we do not feel that it is not necessary to wait until the CPUC's RA Phase 2 proceeding to begin a stakeholder process. In fact, doing so could potentially delay changing the replacement rule until the 2013 RA

⁵ Local RA filings are not affected by outages because the LSE procures the same quantity of Local RA capacity for each month of the forecast year, based on the peak month (i.e. August) requirement. Thus, if suppliers were mandated year-round to make available resources necessary to meet August peak conditions, local resource would have very limited opportunities to take a planned outage.

⁶ The updated NQC value is calculated using the following formula: $[1 - (\text{days of scheduled outage}/\text{days in month}) - 0.25] * \text{Original NQC}$

⁷ March 18, 2010 'Alternative Options for the Availability Standard and Replacement Rule Components of the SCP II Initiative Paper'

compliance year.⁸ Accordingly, PG&E requests the CAISO work with the CPUC to coordinate and conduct a separate stakeholder process in 2010 focused on the replacement issue (outside the annual RA process). The goal would be to complete the stakeholder process by the end of 2010, so any needed FERC approval would be received before the start of the procurement cycle for the 2012 RA compliance year.

3) GRANDFATHERING OF INTERMITTENT RESOURCES

CAISO Proposal

It is PG&E's understanding that the CAISO intends to exempt intermittent resource procured before June 28, 2009 (the grandfather date for the SCP I requirements) from SCP II requirements.

Comments

PG&E does not support a grandfather date of June 28, 2009 for intermittent resources.

It is important to note that LSEs have executed agreements for intermittent resources after this date but before the completion of the SCP Phase II initiative. As such, these contracts were negotiated without knowledge of the final rules, and use of this date would be unjust.

We remind the CAISO that in the FERC's SCP I ruling the Commission mandated the grandfathering provision become effective 60 days after the date of the CAISO's filing with FERC (April 28, 2009), resulting in grandfather date of June 28, 2009.⁹ A similar approach should be taken with establishing a grandfather date for the SCP II requirements for intermittent resources - 60 days after the CAISO files its SCP II tariff with FERC.

⁸ Assuming that all the necessary issues are addressed by the end CPUC's RA Phase 2 proceeding with a Proposed Decision issued in late June of 2011, it is unlikely that the CAISO will be able to make the appropriate FERC filing, and that the FERC will issue the necessary order approving the CAISO's filing in time for implementation in the 2012 compliance year.

⁹ Order accepting in part and rejecting in part tariff revisions subject to modification re California Independent System Operator Corporation under ER09-1064.