

PG&E Comments

Subject: Exceptional Dispatch White Paper & Meeting

Submitted by	Company	Date Submitted
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Pacific Gas & Electric Company (PG&E) submits these comments in response to CAISO's December 2, 2009 Exceptional Dispatch White Paper and December 9, 2009 stakeholder meeting.

PG&E supports the continuing efforts of the CAISO to reduce the need for Exceptional Dispatches and greatly appreciates the significant accomplishments to-date. Further improvements are expected both by the CAISO and PG&E. With the selection and implementation of future improvements, the CAISO should not over look the fundamental cost and benefits of the proposed changes. In addition, the consideration of any new energy or capacity products should not be approached in haste given the significant changes that have and will occur in the CAISO's market environment.

1. Single Biggest Issue

If you have an issue or issues with exceptional dispatch, what is your single biggest issue? Do you see this issue as persistent, or does it come and go? Do you have a proposed solution for this issue?

PG&E is generally satisfied with the significant strides that the CAISO has taken and has further committed to take in order to reduce the need for Exceptional Dispatches. PG&E offers the following suggestions to assist the CAISO in continuing to make strides to reduce the need for Exceptional Dispatches:

- a) It appears that recent results indicate that the monthly average Exceptional Dispatches represent approximately one percent of Load by volume (Jul-Oct 2009). PG&E recognizes that Exceptional Dispatch is a necessary element of CAISO operations and that one percent sounds modest; however, one percent may or may not be excessive. PG&E requests that the CAISO review the practices and

results of other ISOs to establish a benchmark that may help guide the CAISO and stakeholders with realistic and achievable expectations.

- b) In seeking future improvements, PG&E requests the CAISO recognize that potential changes should be subject to a cost-benefit analysis and should only be implemented if they demonstrate sufficient cost effectiveness. It is likely that it is not cost effective to drive the number of Exceptional Dispatches to zero.
- c) It is not practical for the CAISO market software to model *all* potential operational constraints that require human insight an intervention. It is preferable that the CAISO dispatchers have the ability and authority to review the market dispatches and, if necessary, intervene to assure a sound solution.
- d) However, additional improvements in reducing Exceptional Dispatches are nonetheless expected. PG&E recommends that the following areas be included in the CAISO's continuing efforts:
 - i. Increase the use of nomograms within the IFM (it is not uncommon to get an IFM pump award for Helms only to be denied subsequently due to Fresno area loads);
 - ii. Evaluate the inclusion of other significant operational constraints into CAISO market software (i.e. Delta Dispatch);
 - iii. Improve the communications and consistency with the use of Exceptional Dispatches. It is PG&E's experience that CAISO dispatchers at times handle market anomalies inconsistently. On some occasions Exceptional Dispatches are used; however, on other occasions the seemingly unsound market results are allowed to prevail; and
 - iv. Reduce the use of biasing and provide improved transparency.

2. Product Attributes

In your view, what constitutes a product? What factors or circumstances are necessary for a product to exist?

PG&E believes that a product must fulfill a definitive market need. New products should only be developed in response to a clearly definable market requirement.

3. Shortcomings of Existing Products

To the extent that you believe that a new product (or products) is needed, to what degree do existing products such as Resource Adequacy capacity and Interim Capacity

Procurement Mechanism capacity already cover the need, and, if not, what is not covered?

PG&E thinks that the existing market products are sufficient to meet current market needs. The consideration of the development of any new products must consider the following:

- a) MRTU is new and numerous changes have been made since Go-Live. As a result, sufficient time is necessary to effectively assess market performance and any needs for new or modified products.
- b) Significant near-term markets changes are planned within the next 18 months including Scarcity Pricing, Multi-Stage Generator Modeling, Convergence Bidding, and Proxy Demand Resource as a new process to accommodate demand response. These changes are complex individually; together they will create considerable changes to the CAISO markets. The development of potential new products should not occur prior to the implementation of these market changes.
- c) WECC is in the process of proposing changes to the existing reserve requirement standards (BAL-002-WECC-1) and is also investigating potentially redefining these requirements (Frequency Reserve Requirements). CAISO new product development should necessarily support and not get unduly ahead of these dominating requirements.
- d) In addition, landmark changes are occurring within California: Integration of 33% Renewables; Distributed Generation; Smart Meter enabled Demand Management; Advanced Storage; and PHEVs. New product development in the future should not disregard the longer-term market needs that may result from these changes.

4. Visibility of Exceptional Dispatch

What are your thoughts on incorporating more constraints and other operational elements into the operational software, such as the Minimum Online Capacity Constraint versus continuing to perform exceptional dispatch that may provide a different level of visibility than exceptional dispatch?

To the fullest, cost-effective extent possible, operational constraints enforced by the CAISO should be incorporated within market software. The argument that the inclusion of some enforced constraints in the market software diminishes visibility may have some validity, but should not be used as a fundamental reason to exclude operational constraints from the market software. Preferably, cost-effective constraints are included within the market software, *and* the CAISO provides adequate transparency and reporting with respect to enforced market constraints. The current CAISO stakeholder process on 'Data Release and Accessibility' seeks stakeholder input on what information is required by market participants; PG&E provided recommendations on December 18, 2009.

5. Other Comments

Are there additional comments that you would like to provide?

While the level of detail of Exceptional Dispatch Reports has increased since August 2009 in response to FERC directives, PG&E requests that the summarized information provided in the July 2009 and earlier reports, now excluded; should continue. The raw data provided by the CAISO requires processing by each interested market participant. While recognizing that this is an additional effort by the CAISO, having the CAISO perform this summarization once, is more cost-effective than requiring many market participants do the same.