



Pacific Gas and Electric's Comments on Phase 2 of Standard Capacity Product

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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 January 19, 2009 Straw Proposal. The CAISO's proposal identifies four main issues: *1) Replacement Rule, 2) Renewables and Qualified Facilities, 3) Demand Response, and 4) Non-Resource Specific Resources.*

1) Replacement Rule

CAISO Proposal

The CAISO proposes that the supplier have the opportunity to replace the RA resource during the planned outage period with a non-RA resource in accordance with the same substitution rules already approved for unit substitution under SCP. If the substitute capacity submitted by the supplier is acceptable to the CAISO then the supplier will have met its replacement requirement for that particular planned outage. If, however, the supplier does not offer acceptable replacement capacity then the CAISO will procure additional replacement capacity through the ICPM.

Comments

PG&E supports the CAISO's proposal. Once the LSE purchases RA capacity, it should not be obligated to replace that capacity during a planned outage. In order to have a truly tradable and fungible product, the performance obligations should be on the supplier; the LSE should not have any further responsibility after it purchases RA capacity.

2) Renewables and Qualified Facilities

CAISO Proposal

The CAISO proposes that the CPUC modify its counting rules for Renewable resources and Qualified Facilities by using proxy energy output values during the hours that the unit is on a forced outage.¹ Consistent with this proposal, the CAISO proposes to subject intermittent resources to the same availability standard, availability incentives, unit substitution and grandfathering rules that are currently in effect and applicable to other RA resources.

Comments

PG&E supports the CAISO's proposal. This proposal presents a simple solution and will allow for the application of SCP availability requirements to intermittent resources

3) Demand Response

CAISO Proposal

The CAISO proposes to defer action to a future stakeholder process with the goal of implementation in 2012, instead of 2011. This deferral pertains to both retail and wholesale (participating load and proxy demand) products. The CAISO cites the lack of adequate tracking and reporting mechanisms at this time as a reason for deferring.

Comments

PG&E supports the CAISO's proposal. There are a number of challenges dealing with translating the terms associated with conventional resources and applying them to DR resources. The SCP is built on a generation model that does not always have direct analogues to DR. For instance, DR resources do not have name plate capacities, "scheduled outages", "forced outages", or a "must offer requirement". Further any attempt to find a solution to integrating DR into the SCP would require an extended and lengthy stakeholder process, which realistically cannot be concluded by the March 25 -26 Board of Governors Meeting.

¹ The second approach conforms to the methodology that the CPUC previously approved to account for planned outages in the QC calculation for these types of resources

In addition, changes to both retail and wholesale DR programs are currently being discussed in ongoing proceedings. DR should be considered for SCP only after these activities are completed.

Non-Resource Specific (NRS) Resources

CAISO Proposal

The CAISO proposes to revise the approach for calculating monthly availability under the SCP for NRS resources to be consistent with the approach applied to internal RA resources. This would entail determining rules for inserting generated bids for NRS-RA resources when they fail to submit bids and for enabling such resources to utilize SLIC to report outages and de-rates.²

Comments

PG&E supports the CAISO's proposal. However, the CAISO should wait until the SIBR release to insert generated bid for NRS-RA resources. This will prevent bids from being inserted for NRS resources for hours in which they are not required to offer their capacity.

Further, the CAISO should clarify if the availability of an NRS resource will be compared to the availability of other NRS resources or if it will be compared to the Availability Standard calculated for the entire RA fleet. If it will be compared to the entire RA fleet, the CAISO needs to decide when it will begin using data from NRS resources to calculate the Availability Standard for all RA resources; this is a similar decision that the CAISO made with regard to Use Limited Resources.³

² The CAISO presents a complete proposal in the “*Generated Bids and Outage Reporting for NRS – RA*” stakeholder initiative: <http://www.caiso.com/2723/2723e6c842590.pdf>. PG&E will send separate comments supporting the CAISO's proposal

³ Due to an insufficient amount of data, the CAISO decided that the Availability Standards will first incorporate the applicable Outage data of Use Limited Resources on June 1, 2011 for RA Compliance Year 2012. The CAISO has to make a similar decision with regard to NRS resources.