

Comments of Pacific Gas and Electric Company
Pay for Performance Regulation Year 1 Design Changes
Issue Paper and Straw Proposal

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) respectfully submits the following comments in the stakeholder process for the California Independent System Operator's (CAISO) Pay for Performance Regulation Year 1 Design Changes initiative Sept. 3, 2014 Issue Paper and Straw Proposal (Proposal).

The Proposal calls for two changes to the CAISO's current Order 755 market design: (1) modification of the monthly accuracy calculation from a simple to a weighted average; and (2) reduction of the minimum performance threshold from 50% to 25% accuracy. PG&E supports these changes insofar as they will prevent the decertification of a large portion of the fleet of resources currently providing regulation services in CAISO upon expiration (on Jan. 1, 2015) of the FERC waiver presently exempting CAISO from enforcing certain sections of its tariff.¹ PG&E agrees with the CAISO and other stakeholders that mass decertification of regulation resources could increase regulation procurement costs and jeopardize grid reliability.

PG&E requests that the CAISO include in the Revised Straw Proposal the daily average performance accuracy (since Jun. 1, 2013) that *would have* resulted had the CAISO used the proposed weighted average calculation instead of the current simple average calculation,² as well as a discussion of the probable root cause(s) of regulation resources' ongoing poor performance accuracy.³ This additional information will help stakeholders assess the extent to which the CAISO's proposed changes to the current Order 755 market design will promote fair and efficient functioning of Pay for Performance regulation in CAISO.

¹ The waiver applies to tariff sections 8.2.3.1.1 and 8.4.1.1(h), as well as tariff appendix K.

² The CAISO could construct analogs to Figures 1 and 2 in its one-year Order 755 informational report (submitted to FERC on Aug. 1, 2014) based on weighted averages rather than simple averages (http://www.caiso.com/Documents/Jul31_2014_Order755MarketDesignReport_ER12-1630_ER14-971.pdf).

³ The CAISO's Aug. 1, 2014 Order 755 informational report states that "system wide mileage accuracy performance has ranged from 30 to 60 percent accuracy".