



**Comments of Pacific Gas and Electric Company**  
***Reliability Services Initiative – Working Group Meeting 4/23/14***

Submitted by		Company	Date Submitted
Alex Morris	(415) 264-4958	PG&E	May 2, 2014
Rohan Ma	(415) 973-6750		

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Reliability Services Initiative (RSI). In these comments we focus on issues from the most recent Working Group Meeting, held on April 23, 2014. Based on the CAISO staff presentation, PG&E is mostly supportive of the Reliability Services Initiative's scope concerning the issues discussed on April 23.

**1. CAISO should explore whether significant reforms are needed to address concerns with the Standard Capacity Product (SCP).**

PG&E understands the CAISO views the different availability treatments in the SCP's rules as an impediment to standardization and as a potential reliability risk. While the CAISO showed how resources have varying levels of exemption from SCP requirements, this data does not appear to lead to the conclusion that a large overhaul of the SCP is the only way to address these issues. For example, PG&E understands that some of the resources exempted through grandfathering<sup>1</sup> will naturally decline over time due to contract expiration or renegotiation, shrinking the pool of potentially non-available resources. Also, continuing or revisiting the Maximum Cumulative Capacity (MCC) buckets enforced by the CPUC on its jurisdictional load-serving entities (LSEs) could further channel procurement towards resources deemed sufficient for reliability. The MCC buckets already serve to manage the quantity of use-limited resources shown for Resource Adequacy (RA), ensuring that the number of use-limited resources available to CAISO through the RA program will not exceed

---

<sup>1</sup> Includes resources with capacity contracts that were approved prior to June 28, 2009

pre-determined values. Given these reasons, PG&E recommends the CAISO consider alternatives or varying levels of SCP reforms.

**2. Any reform of the availability measures and the Standard Capacity Product (SCP) should continue to direct outages to periods outside of the CAISO's primary need.**

PG&E appreciates the preliminary nature of the CAISO's proposal. A key theme for PG&E is that any proposed reforms should not discourage existing outage management behaviors that contribute towards reliability. PG&E's understanding is that CAISO's preliminary proposal would evaluate system resources without limitations across 24 hours a day, seven days a week. PG&E suggests two refinements to these windows.

- Unless the CAISO sees a serious problem with past behaviors or expected reliability risks, short-term (e.g. several hours) outages taken outside key availability windows should be exempt from the SCP assessment. Maintenance and the associated outages are an integral part of ensuring fleet reliability, and PG&E believes units should be encouraged to take short and efficient maintenance outages to ensure the CAISO has adequate generation when it is most needed. Also, contract terms and maintenance schedules can be complex and should continue to be factored in to any SCP reforms.
- Where appropriate, outages taken on weekends and holidays should continue to be exempt from SCP penalties. CAISO's needs are typically lower during this time and availability incentives at this time are less necessary.

**3. PG&E seeks further clarification on components of the CAISO's proposal regarding the Availability Incentive Mechanism.**

CAISO should clarify what the connection is between the existing Replacement Requirement Rules for Scheduled Generator Outages (RRRSGO) and the newly proposed "assessment timeframe."<sup>2</sup> In particular, will the expanded assessment timeframe impact how the CAISO determines whether to grant Off-Peak Opportunity Outages or Short-Notice Opportunity Outages, and if so, how?

---

<sup>2</sup> "Reliability Services: Working Group Meeting, April 23, 2014", CAISO, Bentley, Meeusen, April 23, 2014, pp 77-79.

The CAISO should also ensure any new availability incentives align with the incentives of RRS GO. The RSI Workshop proposed an hourly consideration of outages, while RRS GO considers outages on a daily level, creating a potential mismatch in how the CAISO treats select outages. For example, if Resource A is on a planned outage and will return to service mid-day, but Resource B is already providing replacement RA for Resource A for the entire day, will Resource A's availability as a result of its return to service be logical?

The CAISO may want to explore further whether its proposal adequately addresses treatment for forced outages that are taken after hour-ahead bids are submitted. Data regarding the prevalence of this possibility would be useful. Does SIBR delete the bid from the optimization such that the availability metrics would count the outage correctly?

PG&E also seeks further discussion around the 96% target. PG&E recalls that the original intent of SCP was to use the historical availability targets in order to avoid penalizing RA participants during the validation years, while at the same time offering a process by which the target would get higher year-over-year as resources adjusted their behavior or made modifications to avoid penalties. A fixed 96% target could limit incentives for continuous improvements.

Lastly, the CAISO should explain the rationale behind an asymmetric performance band (Slide 74), which would allow resources to perform 1.5% below the target availability rate before being penalized, but requires resources to perform 2.5% above the target rate to be eligible for incentive payments.

#### **4. PG&E provides initial thoughts and seeks clarifications regarding CAISO's initial proposals on standardization of must-offer obligations (MOOs) for Proxy Demand Resources (PDR), Non-Generator Resources (NGR) and Distributed Energy Resources (DERs).**

##### **a. Proxy Demand Resources (PDR)**

PG&E reiterates its earlier RSI comments regarding the importance of alignment between CPUC and CAISO staff during the design phase. It is imperative that the MOOs established for PDRs in this initiative align with CPUC requirements being developed in the current DR proceeding, specifically the design of a Demand Response Auction

Mechanism (DRAM). Alignment on the MOO hours of 5-9pm in winter and 1-6pm in summer will be critical.

#### **b. Distributed Energy Resources (DER)**

PG&E appreciates that DERs and aggregation services are likely to grow, but notes that many issues outside the scope of this initiative will need resolution in order to develop MOOs for DERs, e.g. the establishment of RA counting conventions through a CPUC RA proceeding. Given the complexity, scope and schedule of Phase I of the RSI, taking on the development of DER MOOs under this initiative could be of lower priority.

#### **c. Non-Generating Resources (NGR)**

The calculation of bid insertion for non-generating resources is a complex issue. PG&E thus urges the CAISO to cover this issue in the Straw Proposal and early in the process, including the rationale for the need to require bid insertion for NGRs. Consider, for example, the complexities associated with a NGR storage device that fails to provide bids for the DA market; how will the IFM determine when and how to charge or discharge an NGR? Round trip efficiencies on storage devices may require a minimum price-spread by which to dispatch, and the CAISO should consider the functionality of price-spread bidding. For DR programs, alternatively, the price can vary widely because the prices represent the value of interrupted services or of offsetting load in other ways. Stakeholders likely need lengthy discussions and examples of other successful approaches to DR in order to resolve this challenge.

PG&E also continues to oppose the CAISO's proposal to only count a storage resource's charging capacity as flexible capacity if the storage resource qualifies as NGR. The must-offer obligations for non-NGR storage resources should be explored further under this initiative.

Lastly, the dividing line between NGR and DR programs may need discussion. To the extent that a DR program can also qualify for an NGR MOO, would it be able to choose the less stringent MOO? This type of selection may create inconsistencies in the RA products and conflict with standardization, replacement, or substitution goals.