

## Comments of Pacific Gas and Electric Company

### *RSI Phase 2 – Straw Proposal*

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Reliability Services Initiative (RSI) Phase 2 August 19, 2015 Straw Proposal.

Overall, the RSI Phase 2 stakeholder process and CAISO proposal must take into account that the RSI Phase 1 is currently in front of FERC and adjustments to the scope of RSI Phase 2 may be necessary based on FERC's decisions. PG&E's primary comments on the RSI Phase 2 are:

- The CAISO should add an additional issue to the scope of RSI Phase 2: ensuring that its rules regarding cogeneration resources that bid into the Day Ahead market but are not capable of bidding in the Real Time market are consistent with CPUC rules.
- The CAISO's proposed substitution rules for flexible capacity resources on planned outage are reasonable. However, PG&E encourages the CAISO to continue to work on a more refined solution that would allow for substitution that more accurately reflects the resources on outage.
- PG&E agrees with the CAISO that the alternate options it considered for substituting for local capacity resources on forced outages do not represent an improvement over the current policy.
- The CAISO should make several clarifications to the proposed process for updating resources' Effective Flexible Capacity (EFC) and operational parameters.
- The CAISO should ensure that its proposal for process alignment with Local Regulatory Authorities (LRAs) provides sufficient timelines and system capabilities to accurately reflect the requested Resource Adequacy (RA) program information and should clarify exactly what it will determine with the requested information
- The CAISO should consider alternatives to its proposal regarding combined flexible capacity resources.

**1. The CAISO should ensure that its rules regarding cogeneration resources that bid into the Day Ahead market but are not capable of bidding in the Real Time market are consistent with CPUC rules.**

In our comments on the RSI Phase 2 and Flexible Resource Adequacy Criteria and Must Offer Obligation Phase 2 June 25, 2015 Issue Paper, PG&E suggested that the CAISO include an additional issue to the scope of RSI Phase 2 that would address its rules regarding cogeneration resources that bid into the Day Ahead market but are not capable of bidding in the real time market to ensure they are consistent with recently adopted CPUC rules. PG&E requests that the CAISO respond to PG&E's recommendation.

In its Final Decision Adopting Local Procurement and Flexible Capacity Obligations for 2016 (Decision 15-06-063), the CPUC adopted changes to the RA counting provisions of cogeneration resources that bid into the Day Ahead market but are not capable of bidding in the real time market. The CAISO should examine its rules regarding these resources to ensure that its markets accommodate these resources. Currently if resources submit economic bids into the day-ahead market and do not receive an award for their full capacity, the residual capacity is subject to RUC and subsequent bid insertion in the real-time market. This effectively disqualifies a cogeneration resource that is incapable of responding to dispatch instructions in real-time from providing day-ahead economic bids. To resolve this disconnect between the recently adopted CPUC RA decision and CAISO's existing bidding rules, CAISO should exempt cogeneration facilities that are capable of providing economic bids in the day-ahead timeframe but incapable of responding to real-time dispatch instructions from RUC obligations and bid insertion.

**2. The CAISO's proposed substitution rules for flexible capacity resources on planned outage are reasonable. However, PG&E encourages the CAISO to continue to work on a more refined solution that would allow for substitution that more accurately reflects the resources on outage.**

PG&E supports the CAISO's proposed rule that any substitution capacity for a resource on a planned outage must be eligible to provide at least the same category of flexible capacity as the resource that goes on a planned outage. Requiring at least the same category of flexible capacity should ensure that reliability is not degraded. Additionally, the exception that if the resource providing substitute capacity also has capacity shown at a higher category than the original capacity on planned outage the substitute capacity must comply with the higher category must-offer requirements for the entire resource's committed RA capacity is a reasonable temporary solution given the implementation burden for the CAISO. However, PG&E encourages the CAISO to continue to work on a more refined solution that would allow for substitution that more accurately reflects the resources on outage.

**3. PG&E agrees with the CAISO that the alternate options it considered for substituting for local capacity resources on forced outages do not represent an improvement over the current policy.**

In the Straw Proposal, the CAISO discusses a change to the existing substitution rules for resources in a local area that did not receive a premium above system RA prices for its local capacity and goes on forced outage. PG&E agrees with the CAISO that the criteria for any change to the existing substitution rules should address how the CAISO would account for that resource in the local capacity study and should ensure that compliance with local reliability standards are not degraded. The CAISO proposes three options related to planned and forced outage substitute capacity for RA resources in local capacity areas. PG&E supports the CAISO's first proposal regarding RA resources in local capacity areas that go on planned outages and does not support either alternative option the CAISO considered for RA resources in local capacity areas that are on forced outage.

PG&E supports the CAISO's proposal to allow a resource that is needed for local reliability to provide replacement during a planned outage with another resource in that local area. This is an additional option that does not appear to compromise local reliability.

The CAISO also considered two alternate options that would allow for a system resource to provide substitute capacity for an RA resource in a local area that goes on a forced outage. The CAISO considered removing system resources from the local capacity study process. It also considered leaving the resource in the local capacity study process, but allowing the CAISO discretion regarding whether system or local capacity is needed if the resource goes on forced outages. Neither option appears to improve the current CAISO assessment process. Additionally, it is unclear how these changes would impact compliance with local reliability standards.

The CAISO indicates that either option 2 or 3 would require an additional RA showing in LSE and supply plans for resources demonstrating what capacity is local versus system. PG&E notes that adding a new showing adds unnecessary complications and recommends keeping the process simplified. For example, if changes are necessary, it would be less complicated to add a flag mechanism to the existing filing process rather than adding a new showing.

**4. The CAISO should make several clarifications to the proposed process for updating resources' EFC and operational parameters.**

PG&E believes that it is important for the CAISO to have a process to allow resources to adjust their EFC within a given year. PG&E supports the CAISO developing a process to update resources' EFC and recommends that the processing of requests occurs on at least a monthly basis.

PG&E recommends the following clarifications to the CAISO's proposed process for updated resources' EFC and operational parameters:

- a) The CAISO's proposal should address resources that become flexible in the middle of a year.

The CAISO's proposal does not address resources that change Masterfile parameters that subsequently qualify that resource to provide flexible capacity. The CAISO should clearly state the process that it will use to adjust a resource that becomes eligible for an EFC, including the timing of when that adjustment will occur in relation to the date of the Masterfile change.

- b) CAISO should clarify what information it will collect regarding use-limited resources and how it plans to use this data

The CAISO states that it will utilize use-limitation data provided through a process established in the Commitment Cost Enhancements Phase 2 stakeholder process to determine whether a resource qualifies to provide Base, Peak, or Super-Peak flexible capacity. It is currently unclear what data the CAISO will collect through this process and what the data will be used for. The CAISO should clarify what data it will collect and what additional information beyond the Masterfile parameters are needed to determine a resource's flexible capacity category.

- c) The CAISO should clarify the annual use-limitation plan doesn't affect a resource's ability to count as a flexible resource.

The CAISO should clarify that the monthly use-limitation data and not the annual use-limitation data will impact the ability of a resource to count as flexible capacity. This is necessary for a resource that is able to meet the daily start limitations required for a flexible capacity category in a given month but may not have enough starts to meet the daily start limitations for every month in a given year.

- d) The CAISO should ensure that it will communicate the impact of a Masterfile change that results in a change of flexible category to the scheduling coordinator of the resource before the change goes into effect.

PG&E recommends that the CAISO establish a process to communicate the impact of a Masterfile change that results in a change of flexible category to the scheduling coordinator of the resource before the change goes into effect. The scheduling coordinator must be able to understand the reliability impact and potential penalties of any changes it makes in the Masterfile so that it can decide whether to follow through with such changes.

**5. The CAISO should ensure that its proposal for process alignment with LRAs provides sufficient timelines and system capabilities to accurately reflect the requested RA program information and should clarify exactly what it will determine with the requested information.**

PG&E supports the CAISO's objective of process alignment with LRAs. The CAISO has indicated that it is requesting the specified RA program information from LRAs to

standardize the manner in which the information is provided to the CAISO so that market participants can better understand their obligations under the CAISO tariff and mitigate potential deficiencies. The CAISO has also indicated that it will run validations of the data. The CAISO should clarify exactly what it will determine with the requested information.

The CAISO should ensure that the deadline for LRA's to submit the requested information allows for all information to be accurately reflected and that the CAISO process is able to incorporate potential changes to the information that could occur during the year. Additionally, if not addressed in another forum, PG&E requests that the CAISO make Tariff changes that will allow LSEs three weeks to review the draft EFC values. This will be consistent with the review period allowed in CAISO's Tariff for Net Qualifying Capacity values.

**6. The CAISO should consider alternatives to its proposal regarding combined flexible capacity resources.**

Combined flexible capacity resources should be subject to an availability assessment similar to other flexible capacity resources. The CAISO's current proposal to allow each Load Serving Entity a limited exception to allow for one flexible capacity resource that does not meet the monthly start limitations for a given category to be shown in a higher flexible capacity category does not appear to solve the issue. PG&E supports the CAISO developing provisions to apply the proposed RA Availability Incentive Mechanism (RAAIM) to combined flexible capacity resources. One way to apply the RAAIM to combined flexible capacity resources is to have a pro-rata share of payments and penalties to the sub-resources making up the combined flexible capacity resource based on the availability of each sub-resource (e.g., the number of starts each resource is allowed).