

Comments of Pacific Gas and Electric Company

Reliability Services Initiative Working Group Call

Submitted by	Company	Date Submitted
Jordan Parrillo (415) 973-3631	PG&E	December 19, 2014

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Reliability Services Initiative (RSI) December 10, 2014 Working Group Call.

1. The CAISO should add a preliminary replacement snapshot report to the RA and outage process timeline after the T-45 submittals.

PG&E appreciates the CAISO working with stakeholders on the timelines for the monthly RA process and outage process and incorporating PG&E's recommended changes in the last round of comments.

PG&E recommends one further addition to the timeline. The CAISO should release a preliminary outage replacement report to the relevant Scheduling Coordinators after the T-45 submittals (i.e. at T-42). The new report would indicate the expected replacement requirement based upon an outage snapshot at T-45, and would be non-binding and for informational purposes only. This additional report would provide useful information to allow suppliers to reschedule outages and/or seek replacement capacity in advance of the official outage snapshot at T-25.

2. If the CAISO moves forward with the proposed lower RAAIM price, there should be a higher RAAIM price during CPM events.

PG&E has maintained throughout this initiative that the availability incentive mechanism (AIM) price should be linked to the Capacity Procurement Mechanism (CPM) soft offer cap price and that the AIM price should not be set so low as to incent generators to accept the penalty rather than go to the bilateral market for replacement RA. PG&E supports the CAISO's new proposal to link the RAAIM price to the CPM soft offer cap so that each time the soft offer cap is updated the prices don't become further misaligned. However, PG&E is still concerned that the proposed RAAIM price at 60 percent of the CPM soft offer cap is too low and could result in reliability issues and higher customer costs due to increased CPM designations.

If the AIM is the tool that the CAISO will use to maintain reliability related to outages, it needs to be high enough to incent resource performance and replacement. A higher AIM penalty will incent generators who may be receiving a high bilateral price for their RA to nonetheless provide replacement RA. The CAISO should also keep in mind that it is possible that bilateral prices for replacement RA for time periods shorter than one month may be higher than the standard month-long product seen in the CPUC RA Report, due to the need to recoup transaction costs. This would also suggest that a higher AIM price would provide an appropriate incentive to generators to procure replacement RA for their shorter outages.

Thus, PG&E continues to recommend that the RAAIM price is set at the CPM soft offer cap price. If the CAISO moves forward with the proposed RAAIM price at 60 percent of the CPM soft offer cap, PG&E proposes that to accommodate the lower RAAIM price the CAISO implement a two-tiered RAAIM price structure that penalizes resources that don't provide substitution during a CPM designation at a higher RAAIM rate equal to the CPM soft offer cap price. This would provide a more accurate reflection of the value of capacity during a reliability event. It would also increase the incentive for resources to provide substitute capacity because they would potentially be subject to a higher RAAIM penalty if a CPM event is called.

At the December 10, 2014 RSI Working Group Call, the CAISO discussed the practical considerations of implementing a RAAIM structure in which there are higher penalties during CPM designations. While PG&E is willing to engage in further discussions on the practical matters that the CAISO identified, PG&E offers a more simple solution that does not require the level of granularity posed in the CAISO's considerations. PG&E recommends that all resources on forced outages during a month in which there is a CPM designation are subject to the higher RAAIM price (i.e. the CPM soft offer cap price) during that month. For events in which the CAISO shows that a CPM designation resulted from a local deficiency, resources located outside that local area should not be subject to the higher AIM price.

3. The CAISO should exempt NGR resources from bid insertion.

PG&E continues to oppose the CAISO's proposal that a non-generator resource (NGR) be classified as non-use-limited. PG&E believes that most NGRs will have some use limitations in order to limit system degradation, such as total energy throughput and charge/discharge cycles.

PG&E has serious economic and operational concerns with bid insertion for NGRs, and we encourage the CAISO to modify their proposal to exempt these resources from bid insertion. It is PG&E's understanding that the CAISO does not manage the state of charge (SOC) for NGRs, other than 15 minute REM-only resources. Therefore, bid insertion done by CAISO software for non-REM NGRs could result in an inefficient dispatch of NGRs, create infeasible schedules, or worse, damage to the resource if such infeasible schedules were to be followed. Without management of the SOC, CAISO will

not have the ability to accurately insert bids. For instance, it is unclear what bid insertion will look like for the full cycle of charging and discharging and how that would be optimized in the market.

PG&E proposes that bid insertion is not appropriate for NGRs at this time. NGRs are emerging resources and market participants are still developing the rules for how they will be incorporated into the market. PG&E urges the CAISO to exempt NGRs from bid insertion and classify NGR as use-limited until revisiting the issue at a future date.