

Stakeholder Comments Template

Pay for Performance Regulation Year 1 Design Changes Issue Paper and Straw Proposal, Posted September 3, 2014

Submitted by	Company	Date Submitted
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SDG&E appreciates CAISO's re-evaluation of the Pay for Performance mechanism and opportunity to comment on the issue paper and straw proposal.

SDG&E supports the two proposed modifications in the current paper: to lower the minimum performance threshold to 25% from 50% and to calculate the monthly performance calculation on a weighted average. But, while a 50% threshold was found to be unreasonably high, we would like to recommend continued monitoring and evaluation to ensure 25% is the correct level and not too low. It is important to find the highest threshold percentage which incentivizes accuracy while still being realistic. We advise routine re-evaluation of the minimum performance threshold every couple of years to make any needed adjustments to the threshold percentage to incentivize accuracy.

We agree with the CAISO that significant redesign is not needed at this point. The CAISO notes possible market enhancements to the Pay for Performance regulation design in the future. Continued systematic monitoring will ensure future design change recommendations are properly coordinated. We also would like to see monitoring and analysis on the interaction of Pay for Performance with the future Flexible Ramping Product.