Pacific Gas and Electric Company

Comments of Pacific Gas & Electric Company

Commitment Cost Enhancements Tariff Clarifications – 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 Corporation's (CAISO) Commitment Cost Enhancements Tariff Clarifications – Straw Proposal, published December 6, 2019, and discussed in the stakeholder meeting on December 10.

PG&E appreciates the CAISO engaging stakeholders in developing new hydroelectric resource counting rules and changes to associated requirements, including Resource Adequacy Availability Incentive Mechanism (RAAIM) treatment. However, it appears that much of the resource adequacy (RA) counting discussion seems directed at satisfying an RA definition that incorporates an inconsistent and shifting blend of energy sufficiency and peak capacity requirements. PG&E wants a rational counting system that moves towards clear reliability objectives. The California Public Utilities Commission (CPUC) and the CAISO should be aligned in their objectives and the approaches directed towards those objectives.

PG&E's comments can be summarized as follows:

1. PG&E believes that CPUC leadership is critical.
2. PG&E supports the CAISO's general approach to run-of-river resources but offers several comments to the various CAISO proposals.
3. Southern California Edison's proposal is largely positive. PG&E offers several comments.

1. PG&E believes that CPUC leadership is a critical

PG&E believes the CPUC is a critical stakeholder and must be fully engaged in the process. The CAISO should pursue alignment directly with the CPUC. PG&E looks forward to working with the CPUC, the CAISO, and other stakeholders – in particular Southern California Edison – to establish hydroelectric counting rules based on clear RA objectives and criteria and aligned with derived must-offer requirements. Until new counting rules are established at the CPUC, it is appropriate to maintain RAAIM exemptions for conditionally available resources.

2. PG&E supports the CAISO's general approach to run-of-river resources but offers several comments to the various CAISO proposals.

Conditionally Available Resources

PG&E does not support the elimination of the current, albeit interim, permission to manage use-limitations with a RAAIM-exempt outage card.

Run-of-River Hydro

PG&E supports the CAISO's proposal to confer run-of-river hydroelectric resources a resource-level RAAIM exemption for generic RA. PG&E also supports the proposed run-of-river definition but asks how the CAISO intends to determine and verify 'pondage necessary to maintain sufficient water pressure to operate'. Additionally, PG&E supports the CAISO's approach to common control of the water system, as that control doesn't alter the run-of-river characteristics of the resource and trying to somehow incorporate this factor would indeed introduce too many complications.

The CAISO also proposes that run-of-river hydro resources may, additionally, apply for conditionally available resource (CAR) status to become eligible for the expected energy must-offer obligation. However, according to the CAISO's Reliability Requirements Business Practice Manual (BPM)[1], hydro that is non use-limited already has an expected or "available" energy requirement *(see below)*.

7.1.1 Summary of Bidding Requirements for Resources Providing RA Capacity

Resource Type	**Bidding Requirements**			
	IFM	**RUC**	**RTM**	**ISO Inserts Required Bids**
Hydro Units (without qualifying use limits)	Economic Bids or Self-Schedules are to be submitted for all available energy up to RA Capacity quantity (ISO Tariff 40.6.4.1).	No requirement to submit RUC Availability Bids but any bids submitted must be for $0. (ISO Tariff 40.6.4.2).	Economic Bids or Self-Schedules are to be submitted for all available energy, up to remaining RA Capacity (ISO Tariff 40.6.4.1).	No

PG&E asks the CAISO to clarify why run-of-river hydro resources would need to apply for CAR status if they already have this facility. Or is the CAISO proposing to change the non use-limited hydro BPM language? And if so, how?

Hydro Resource Counting

The CAISO proposes to allow resources to choose between the existing counting method and a new Unforced Capacity (UCAP)-like method. Resources electing the current counting method would keep a potentially higher NQC and be subject to RAAIM. PG&E asks how this would work with RA Enhancements and the transition to UCAP. Would the current counting method exist only until the counting and RAAIM-elimination elements of RA Enhancements are implemented?

[1] The CAISO's Reliability Requirements BPM at https://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM%20for%20Reliability%20Requirements%20Version%2045.docx, 81.

Additionally, regarding the ability to elect a counting method, PG&E reiterates that it is important that RA counting be consistent and reflect the ability of a resource to address a clearly defined reliability need. How would the proposed counting method relate to the approach in the Integrated Resource Plan (IRP), wherein the latest procurement mandate hydro RA capacity has been significantly derated? Further, how may the proposed UCAP-like counting method drive local RA deficiencies? We ask that the CAISO provide information on how it arrives at the hydro counting assumptions in its various analyses (e.g.: IRP, Transmission Planning, Local Capacity Requirement).

3. Southern California Edison's proposal is largely positive. PG&E offers several comments.

Treatment of Run-of-River and Hydro with Storage

PG&E does not believe that it makes sense to use the same counting method for both run-of-river hydro and hydro with storage when using a historic approach. While a historic approach likely makes sense for run-of-river hydro, it is likely to understate the value of hydro with storage, at least for Option 1 below.

Option 1 (UCAP-like)

PG&E agrees that a UCAP-like approach should be based on historic bidding behavior and not historic output. While a historic output approach likely makes sense for run-of-river hydro, it is likely to understate the value of hydro with storage. If a UCAP-like approach were taken, a resource-level RAAIM exemption would be appropriate. All outages, regardless of whether due to water availability or mechanical plant trouble or ambient temperature reduce the resource's historic output and so its RA value. It isn't fair to penalize the resource twice, even if this measure is only a bridge to a full UCAP paradigm.

Option 2 (Exceedance)

SCE's approach to exceedance was interesting as it appears to be *forecast-based* and applicable to both run-of-river hydro and hydro with storage. It does, however, appear to maintain the disconnection between RA counting values and must-offer requirements. SCE appears to base its exceedance approach on forecast rather than historic output. If an exceedance approach were to instead be backward-looking, it should be based on historic bidding behavior instead of historic output.

Rationale for RAAIM Exemption

PG&E supports SCE's rationale. We maintain that run-of-river should have a resource-level RAAIM exemption.

Monthly True Up to Year Ahead filing for Local RA

SCE appears to be suggesting that RA values will be adjusted after the rainy season. While this aligns with operational objectives, does this align with resource adequacy's objectives? Should RA not send long-term procurement signals?