



## Comments of Pacific Gas and Electric Company

### Draft 2021 Policy Initiatives Catalog

| 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) Draft 2021 Policy Initiatives Catalog, published February 28, 2020.

PG&E generally supports the CAISO’s policy direction driven by California’s policy goals, the CAISO’s desire to expand the Energy Imbalance Market, and the need to maintain a competitive market.

The CAISO should prioritize initiatives that support a) the reliability of the system and b) a fair and competitive market resulting in just and reasonable rates paid by consumers. The CAISO should prioritize initiatives that promise a high cost/benefit ratio and can be readily implemented.

PG&E recommends the CAISO prioritize as follows:

1. Fixing the Resource Adequacy program

PG&E acknowledges that the Resource Adequacy Enhancements initiative is ongoing and there are still difficult issues to resolve. PG&E requests that the CAISO revise the overall direction of this initiative unless the current proposal demonstrates greater consistency in objectives and design, study assumptions, and elements of the evolving CPUC RA program. The CAISO must provide more robust analysis and should explore alternative must-offer requirements that better reflect resource characteristics, do not increase direct and uplift costs, and foster comparable resource treatment. The CAISO should carefully align the various incentive structures including backstop pricing. And, the CAISO should harmonize its RA program with the CPUC’s RA program and the ongoing CPUC proceedings.

2. Speeding up the System Market Power Mitigation initiative

PG&E appreciates the work that the CAISO has done on System Market Power Mitigation and urges the CAISO to prioritize this initiative. PG&E thinks applying a system market power mitigation process when supply is constrained and the market is not competitive is an appropriate and necessary measure to take to ensure competitive outcomes and limit gaming of the market.

PG&E understands the current CAISO proposed schedule for this initiative is to post a revised Straw Proposal on March 31 and go to the Board of Governors for approval at the end of September/early October. Unfortunately, this timing does not allow for a solution to be implemented rapidly enough to

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affect the summer of 2020. PG&E's understanding of applying a phase 1 of system market power mitigation to only the real time market is that the implementation would be much easier and can utilize existing processes. If the system market power mitigation cannot be implemented for the summer, PG&E requests that the CAISO should work in the meantime to develop interim solutions that can be quickly implemented in the event system market power conditions worsen during the summer 2020.

### 3. Maintaining focus on the current market structure to ensure benefits for customers.

PG&E strongly recommends CAISO maintains enough bandwidth to address market flaws and anomalies as they occur. For example, the CAISO's Department of Market Monitoring identified in their Q4 2019 Report on Market Issues and Performance that:

“Real-time offset costs increased in the fourth quarter to \$50 million. Real-time offset costs totaled \$101 million in 2019, with \$97 million in real-time imbalance congestion offset costs. Reductions in transmission constraint limits below day-ahead limits made in the 15-minute market continued to be a major driver of congestion imbalance charges.”

CAISO should initiate a process dedicated to the Real-Time Imbalance Offset costs; both the energy component (RTIEO) as well as the congestion component (RTCO). The goal should be to provide more transparency to stakeholders on how these costs are generated and to evaluate both the drivers of the offset and potential design changes of the real-time imbalance offset costs to make sure the cost causation principle is observed. While we appreciate that the CAISO has provided general information on the level of these costs and drivers through the Market Performance and Planning Forums, we believe additional steps are needed to ensure the market is functioning properly.

### 4. PG&E also offers more general comments on the annual policy catalog and roadmap process by requesting the CAISO set up an initiative prioritization and take steps to strengthen the coordination between policy development and policy implementation

- Initiatives prioritization:

PG&E believes the plan for 2021 is overly ambitious and the CAISO should prioritize the initiatives mentioned above as tradeoffs will inevitably be necessary. PG&E would like to echo its request from last year for the CAISO to provide some sort of classification of how intensive initiatives are to implement. This information would allow stakeholders to better understand where the CAISO is planning to focus time and envision how the CAISO will balance these initiatives. PG&E notes that a number of initiatives that have made it all the way through the policy development process in recent years have encountered delays in implementation. By further increasing the number of initiatives entering the development queue, the CAISO risks adding to this backlog and extending the time that elapses between design and implementation, during which necessary, Board approved changes to the market design cannot be accomplished.

Given that priorities often change throughout the year, PG&E would also like to request the CAISO to provide an updated roadmap on a quarterly basis.

In the light of the recent event of national emergency, the CAISO should slow down the policy development process and give more time to stakeholders to provide comment (up to a month instead of the current two weeks deadline).

- Better coordination between policy development and policy implementation:

Strengthening the coordination between policy and implementation at the CAISO will make the CAISO more effective, benefitting all stakeholders. For instance, CAISO should develop a set of implementation metrics within policy proposals for the Board of Governors approval, which could include information on operational and financial impact, forecasted completion date, and risk associated with non-completion.

PG&E requests that the CAISO provides some estimates of the implementation costs and effort of all initiatives listed and prioritize accordingly, and/or de-prioritize initiatives for which such cost estimates cannot yet be provided. PG&E recommends that the CAISO allows enough time (e.g., one year at minimum) between Board of Governors approval and implementation for the major initiatives.