



**Comments of Pacific Gas and Electric Company on
Commitment Costs and Default Energy Bid Enhancements
12/21 Stakeholder Web Conference**

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) appreciates the opportunity to comment on CAISO’s Commitment Costs and Default Energy Bid Enhancements (CCDEBE) December 21st Web Conference. During this call, the CAISO presented key changes to the current Draft Final Proposal in advance of publishing its Revised Draft Final Proposal.

PG&E appreciates CAISO’s continued evaluation of the CCDEBE proposal, and supports its decision to release Business Rules concurrently with a Revised Draft Final Proposal. PG&E believes review of Business Rules along with higher-level policy is important to ensure policy-related details are vetted fully in advance of gaining Board approval, as this initiative is very large in scope and will require extensive changes to CAISO and stakeholder systems, applications, and processes. PG&E offers the following comments on the Web Conference presentation¹:

- 1. PG&E supports CAISO’s proposal to permanently update day-ahead gas price indices with ICE information prior to the day ahead market run**
- 2. PG&E supports CAISO’s proposal to temporarily retain proxy cost scalars in reference levels at 125% and set commitment cost circuit-breaker caps at 200%, subject to analysis and evaluation of mitigation performance**
- 3. CAISO proposes to scale gas resource commodity prices to determine reasonableness thresholds for gas resources – PG&E requests additional clarification on this approach**

Comments

- 1. PG&E supports CAISO’s proposal to permanently update day-ahead gas price indices with ICE information prior to the day ahead market run**

PG&E supports CAISO’s proposal to make permanent Aliso Canyon Phase 3 measures listed in the Web Conference presentation:

- Use gas price approximation in DAM

¹

http://www.caiso.com/Documents/Agenda_Presentation_CommitmentCosts_DefaultEnergyBidEnhancements_Dec212017.pdf



- After-the-fact filing right at FERC for energy costs
- D+2 results publication

The DA gas price approximation using ICE information temporarily in place has shown to mitigate the impact of lagged gas price indices on generator proxy costs and Default Energy Bids. Therefore, PG&E supports CAISO making this methodology permanent. PG&E also supports making the other two temporary Aliso Canyon Phase 3 measures permanent. However, CAISO should clarify that the after-the-fact filing right at FERC for energy costs should only include *actual* costs that do not include risk-related adders above cost, akin to its proposal for ex post uplift recovery on Slide 18 of the Web Conference presentation.

2. PG&E supports CAISO’s proposal to temporarily retain proxy cost scalars in reference levels at 125% and set commitment cost circuit-breaker caps at 200%, subject to analysis and evaluation of mitigation performance

PG&E supports CAISO’s proposed approach to proxy cost scalars and commitment cost circuit-breaker caps. PG&E supports CAISO analyzing performance of dynamic mitigation with 12 months of data. Ideally, however, CAISO should perform testing and evaluation of dynamic mitigation before go-live. Though testing would not fully incorporate changes in market participant bidding behavior due to the design change, results would allow market participants to understand if the new design would subject resources to more or less frequent mitigation and allow CAISO to fine-tune the proposed design if necessary.

3. CAISO proposes to scale gas resource commodity prices to determine reasonableness thresholds for gas resources – PG&E requests additional clarification on this approach

CAISO proposes to scale gas resources’ commodity price as follows:

- Monday scalar – 125%
- Tuesday-Sunday scalar – 110%

PG&E has some questions regarding this methodology:

- Will these scalars apply to the calculation of both DA and RT thresholds? With the proposed permanent enhancement to DA gas price index calculations, introducing additional scalars on top of these refined calculations may introduce excessive headroom. PG&E also anticipates that the reasonableness thresholds will be predictable if CAISO applies a consistent scalar on gas price indices. Therefore, CAISO should commit to monitoring use of the reference update functionality even for updates that pass reasonableness thresholds as market participants can fully take advantage of additional headroom.
- How will reasonableness threshold calculations interact with the headroom scalars described on Slide 13? Will the reasonableness thresholds be calculated by applying a 110% or 125% scalar on commodity price, plus an additional 125% scalar applied to all reference components except opportunity cost adder? This calculation may result in excessive



headroom as well. PG&E does not believe scaling the gas price index by 110% or 125% then by another 125% would necessarily constitute a “reasonable” cost.

- CAISO should clarify that the proposed 125% scalar should not apply strictly to Mondays, but rather the first trade day of the week. For example, if Monday is a holiday, then Saturday-Monday would trade as a package and the first trade day of the week would be a Tuesday. Additionally, the 110% scalar should not strictly apply to Tuesdays through Sundays as this is dependent on holiday schedules.