Comments on Penalty Prices and Scheduling Priorities in CAISO Market – 11/20/20 Informational Call

Comment period
November 30, 2020 - December 9, 2020

1. **Provide summary of your organization's comments on the workshop and the scope of the material presented:**

PG&E appreciates the CAISO providing a workshop to level set on the penalty parameters and export scheduling priorities and an opportunity to comment.

PG&E supports the CAISO's goal to ensure that the RUC process ensures exports are supported by capacity in excess of that needed to serve CAISO internal load. PG&E, however, requests clarification on the following:

- Potential market inconsistencies created by this BPM when using schedules from the scheduling run and prices from the pricing run since the implementation of this BPM
- How CAISO will prioritize internal load over exports that are not backed by non-RA capacity
- How CAISO's rules and processes around exports are aligned with other BAAs in the West

While CAISO provided additional transparency in these practices, PG&E believes CAISO should immediately start a stakeholder initiative to reexamine whether additional rule changes are needed to meet California's reliability and policy objectives. For example, we agree with the CAISO's DMM, as recommended in their report on the August and September events, that the rules and processes for curtailment of exports by the CAISO and other balancing areas should be reviewed, clarified, and potentially modified. CAISO should establish clear, consistent and fair rules for the curtailment of exports by all BAs (particularly those in the EIM and where RA in California is sourced). Questions to be addressed include whether CAISO's prioritization of exports that receive RUC awards (relative to the priority of native load) is consistent with the rules and practices of other BAs for RA and non-RA capacity.

2. Provide your organization's comments on change in practice the CAISO adopted on September 5, 2020, to use schedules from scheduling run in the day-ahead residual unit commitment (RUC) process instead of schedules from pricing run:

PG&E believes using the schedules from the scheduling run and prices from the pricing run is a viable solution to prevent RUC from allowing exports unsupportable by CAISO capacity like what occurred this past August. PG&E, however, has some concerns about the potential market inconsistencies created by using results from different runs in RUC, and requests CAISO perform additional analysis on the potential impact of these inefficiencies.

In particular, PG&E is concerned that using schedules from scheduling run and prices from pricing run will lead to inconsistency of the market results and potential distorted price signal. As stated in CAISO's stakeholder meeting on Nov. 20, scheduling run and pricing run are two optimization processes, each producing a set of schedules and prices. On one hand, the cost of dispatching the schedules in the scheduling run is different from that in the pricing run. On the other hand, the pricing run produces a different schedule. For example, exports that were curtailed in the scheduling run were awarded up again in the pricing run in the events of Aug 14 and 15. Based on the change on September 5th, prices in the pricing run are associated with the markets of uncurtailed exports, while the schedules curtail exports. These market results are distorted and could lead to incorrect payment to the generation, increased operational cost, and distorted market signal that will flow into real time markets.

PG&E requests that CAISO perform an analysis on potential pricing inconsistencies produced by this change. If this analysis suggest that these market inconsistencies are not within an acceptable limit, PG&E requests CAISO develop alternative long-term solutions to resolve this inconsistency between the pricing and scheduling run while ensuring that RUC still adequately curtails exports when necessary.

3. Provide your organization's comments on the change in practice the CAISO adopted on September 5, 2020, to use RUC schedules for exports as the reference protected into real-time markets:

PG&E supports using the RUC schedules for exports as the RUC process ensures that these exports are supportable by available generation capacity in surplus of California's load requirements. Moreover, using the RUC schedules is necessary to provide adequate notice and certainty for exporters in the market.

As is evidenced by the Department of Market Monitoring's analysis from their Report on System and Market Conditions, Issues and Performance: August and September 2020, the IFM cleared significant amounts of non-resource specific exports on days of high load. Once this BPM change (PRR 1282) came into effect on September 5, numerous exports that were cleared by the IFM were curtailed due to infeasibility in RUC which helped to ensure reliable service during the high heat days in early September.

4. Provide your organization's comments on current priority assigned to the various types of export self-schedules as described in Section 31.4 and 34.12 of the CAISO tariff:

PG&E believes that the current priority assigned to various export self-schedules in RUC as detailed in the workshop presentation do not adequately ensure CAISO reliability. PG&E believes that internal load as predicted by CAISO's forecasts should have a higher priority than exports, apart from wheels, in the DAM.

PG&E requests as a part of a stakeholder process CAISO reexamine the priorities and processes to curtail exports. For example, CAISO should provide market participants transparency on how scheduling priorities from the DA and RUC would be determined in different situations and flow into real time. (e.g. Could bidding and scheduling practices from different participants – including both loads and virtual bidders – affect the ability for CAISO to serve load reliably? If one load serving entity bid in load Day-Ahead at a price level that results in the load not clearing, could it affect the ability of other LSEs and CAISO to reliably serve load in real time?)

PG&E also encourages CAISO to explore creating a process or system to validate whether exports are tied to non-RA resources. PG&E believes this is necessary to prevent RA resources from being used for exports before serving internal reliability needs. This process could either validate that an export is sourced from a non-RA resource ahead of time or CAISO could look to audit these exports after the fact and impose a very high penalty on those who did not correctly label the export sourced energy. We think this is another necessary step in ensuring that CAISO receives the full benefit of its RA resources.

5. Provide your organization's comments on what additional detail regarding today's practices should be included in the BPM language to better describe business practice change adopted on September 5, 2020

At this time, PG&E has no substantive comments regarding changes to the BPM language. PG&E generally supports CAISO's emergency BPM changes, which were necessary to resolve the RUC issue as quickly as possible. PG&E requests CAISO address the issues raised by these comments before providing substantive comments on the BPM language. Moreover, as some of these issues we have raised may not be able to be adequately addressed by the scope of this BPM, we request CAISO to start a separate initiative to resolve these issues and ensure the combined changes meet California's reliability needs.

6. Provide your organization's comments on what additional details regarding scheduling priorities and the treatment of self-schedules should be discussed in subsequent stakeholder meetings.

PG&E requests additional details and discussion on the following topics:

- Potential market consistencies resulting from using the schedules from the scheduling run and prices from the pricing run.
- Analysis and discussion of how CAISO's export rules and processes are aligned with other BAAs in the West as was recommended by the DMM in their report
- Feasibility of creating a process to validate the sourcing of export energy as described above.