



PG&E's Comments on Changes to Restrictions on Bidding Start-Up and Minimum Load

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Pacific Gas & Electric Company (PG&E) appreciates the opportunity to comment on changing the restrictions on Start Up (SU) and Minimum Load (ML) bids. We are supportive of the CAISO's effort to resolve this issue.

Background

The CAISO has indicated that current values of SU and ML that come from the cost-based calculation (relative to the bid-based option) are leading to unexpectedly frequent commitment of some peaking units to minimum operating levels. Further, generation owners assert the unexpectedly frequent starts are leading to wear and tear on the generating units, the costs of which are not adequately reflected in the current start up values. Currently, the Tariff restricts generators from changing their SU and ML cost methodology to once every six months. This restriction prevents generators from submitting SU and ML costs that more accurately reflect how their units are being dispatched in the new market. The CAISO has proposed:

- A short-term solution permitting generators to change their cost methodology every 30 days
- A choice between two long-term solutions involving the submittal of SU and ML bids on an hourly basis. One solution (2A) continues to implement bid-based caps, while the other solution (2B) only enforces bid caps on units subject to Local Market Power Mitigation (LMPPM)

Comments

PG&E supports the CAISO's short-term solution. This solution appears to be easy to implement without requiring software changes by either CAISO or market participants. Allowing generators to more frequently update startup and minimum load costs, or to switch between proxy and registered cost characteristics, will provide a good interim solution to the problem of cost volatility described above. PG&E believes a more frequent update period is needed due both to fuel price volatility and to changes in system conditions that would affect registered cost characteristics, and that a one month interval is consistent with other similar calculations of default bids and bid parameters, such as the use plans, negotiated default bid options submissions, and monthly updates to RA plans.

Long-term solutions should be vetted in a robust stakeholder process. The CAISO should not commit to making major changes to the market without thorough examination and analysis. Further, it is entirely feasible that the short term solution will provide adequate relief for these generating units. If it is determined through a stakeholder process that a long term solutions is needed, we would not support the removal bid-based caps (Solution 2B) unless a clear and supportable approach to market power mitigation were developed that would be equally effective in preventing resources from withholding capacity. We also note that solutions 2A and 2B will both require extensive changes to SIBR and market participant systems to capture hourly

variations in startup and minimum load costs, and in the case of Solution 2B, to inform participants about mitigations of their bids.