

BPM Appeals Committee

Decision on Appeal of PRR 854

May 13, 2016

The Executive Appeals Committee (Committee)¹ of the California Independent System Operator Corporation (ISO) convened on April 22, 2016 to consider the appeals brought by the California Large Energy Consumers Association, the California Public Utilities Commission (CPUC), the Joint Demand Response Parties,² Pacific Gas & Electric Company, San Diego Gas & Electric Company and Six Cities³ to Proposed Revision Request (PRR) 854 to the ISO's business practice manual for reliability requirements. Representatives from each of the appellants and ISO staff participated in the April 22 Committee meeting.

Based upon the papers submitted and the discussion on April 22, the Committee renders the following decision, deferring implementation of PRR 854 in order to conduct a stakeholder process focused on studying and, subject to confirmation of the adequacy of the resources, implementing pre-contingency dispatch resources to effectively resolve contingencies in compliance with applicable reliability standards and the ISO tariff.

While the Committee is deferring implementation at this time, it reaffirms that pursuant to North American Electric Reliability Corporation (NERC), Western Electricity Coordinating Council (WECC) and ISO planning standards, local resources must be physically capable of resolving Contingencies⁴ studied in the Local Capacity Technical Study. More specifically, Local Capacity Area Resources must enable the ISO to manually readjust the system within 30 minutes following a first Contingency to prepare the system for a potential second contingency pursuant to Section 40.3.1.1(1) of the ISO tariff. Resources can provide this capability by either (1) responding with sufficient speed, allowing the operator the necessary time to assess and re-dispatch resources to effectively reposition the system within 30 minutes after the first contingency or (2) having sufficient energy available for frequent dispatch on a pre-Contingency basis to ensure the operator can meet minimum online commitment constraints or reposition the system within 30 minutes after the first contingency occurs. Because this decision does not—and cannot—defer the ISO's requirement to comply with NERC, WECC and ISO reliability standards, the ISO will continue to conduct its Local Capacity Technical Study in a manner that ensures compliance, as discussed in more detail below.

¹ The Executive Appeals Committee, as set forth in Section 22.11.1.6 of the ISO tariff and the ISO Business Practice Manual for Change Management Section 2.4.10, is comprised of the ISO Chief Executive Officer, Steve Berberich, ISO Vice President, General Counsel, Roger Collanton, and the ISO Vice President of Customer and State Affairs, Tom Doughty.

² "Joint Demand Response Parties" refers collectively to EnerNOC, Inc., Johnson Controls, EnergyHub, Comverge, Inc., and CPower.

³ "Six Cities" refers to the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside. The Six Cities filed an initial appeal and reply brief, but subsequently withdrew its opposition to PRR 854 contingent on the adoption of recommended amendments made by ISO staff April 21, 2016.

⁴ Terms not otherwise defined in this decision are used as defined in the ISO Tariff.

Deferral of PRR 854

This decision defers implementation of PRR 854. As a result, the proposed amendment to the business practice manual will not be adopted at this time. The Committee reserves the right to adopt the PRR, with any necessary modifications, at the conclusion of the stakeholder process outlined below. While this stakeholder process is underway, the ISO will continue to conduct its Local Capacity Technical Study as required by Section 40.3.1.1 of its tariff, but the ISO will use its discretion not to exercise its Capacity Procurement Mechanism authority to address annual resource deficiencies that are directly attributable to a discrepancy between a local regulatory authority's resource adequacy counting rules for demand response resources and ISO's Local Capacity Technical Study. Instead, prior to the conclusion of the stakeholder process addressing pre-Contingency dispatch resources, the ISO will rely upon existing slower acting resources in the Local Capacity Technical Study assuming these resources have sufficient availability to provide pre-Contingency dispatch necessary to resolve Contingencies in the applicable 30-minute timeframe.

Stakeholder Process to Examine Pre-Contingency Dispatch Resources

By this decision, the Committee directs the ISO staff to institute a stakeholder process to address implementation considerations and to conduct additional technical studies to better define energy requirements for resources that can be dispatched pre-Contingency to meet local reliability needs.

Resource requirements are currently being examined as part of a special study being conducted in the 2016-2017 transmission planning process. The ISO conducted a conference call on April 26, 2016 to begin addressing the technical study work necessary to establish energy requirements for resources dispatched pre-Contingency for local reliability requirements.

The ISO is to initiate a new stakeholder process to address implementation issues and outstanding stakeholder questions related to the pre-Contingency dispatch of resources for local reliability needs, and provide broader visibility of the analysis being conducted inside the transmission planning process. This new stakeholder process should focus on developing creative solutions to allow slower responding demand response resources to count toward local capacity requirements by enabling the ISO to use the resources prior to a first Contingency, rather than relying only on those resources capable of fast response after a first Contingency event.

As part of this new stakeholder process, the ISO shall seek to conduct a joint workshop with the CPUC to address how demand response resources can help the ISO effectively address NERC, WECC and ISO reliability standards applicable to local areas. The ISO will encourage participation from all stakeholders involved in this process, but believes that collaboration with the Commission is fundamental to advancing our shared interests in integrating preferred resources and ensuring electric reliability.

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The Committee appreciates the efforts of stakeholders and ISO staff to address this complicated, but extremely important issue. The Committee believes that the collaborative process directed herein has the potential to alleviate outstanding stakeholder concerns while maintaining ISO compliance with planning and operational requirements. The ISO looks forward to addressing these issues with stakeholders going forward.