Stakeholder Comments Template

Reliability Services Initiative - Phase 2
Second Revised Straw Proposal

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the second revised straw proposal for the Reliability Services Initiative - Phase 2 that was posted on November 13, 2015. The second revised straw proposal and other information related to this initiative may be found at: http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.aspx.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **December 9, 2015.**

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below.

CLECA is primarily concerned by the potential impacts of the RSI 2 proposals on Proxy Demand Resources (PDR) and on Reliability Demand Response Resources (RDRR) in conjunction with potential impacts from other pending CAISO stakeholder initiative proposals. These comments focus on that concern.

1. Clarify Local Regulatory Authority interaction and process alignment.

The CAISO states that it undertakes an "evaluation [that] is a determination that the LSE is compliant with the ISO Tariff, that the LSE has shown sufficient RA capacity relative to the RA Requirements provided to the ISO by the LRA." (Proposal, at 15, footnote 12) Through this evaluation, a process "misalignment" may lead to a CAISO determination of insufficiency for which backstop procurement may be undertaken by the CAISO. Is this clarification of the CAISO's review of the RA showings prepared by LSEs under rules established by the LRAs intended to reduce the chances of potential backstop procurement by the CAISO due to misaligned processes? While it is not clear from the proposal, CLECA would endorse that goal. Notably, CLECA agrees with and supports the CPUC staff's clear explanation in the October 28, 2015 comments of the delineation of jurisdictional responsibility for establishment of Resource Adequacy (RA) requirements.

2. Substitution for flexible capacity resources on planned outage.

Not addressed at this time.

3. Separate local and system RA for purpose of forced outage substitution.

   Not addressed at this time.

4. Process to update EFC list during the year.

Regardless of Use-Limited Status, Proxy Demand Response Resources Should Remain Exempt from the RAAIM In Months Where They Have Met the Must-Offer Obligation and Be Able to Use the Short-Term Outage Card

PDR and RDRR are currently deemed default use-limited resources in the CAISO's tariff; this makes sense as these resources, provided by end-use customers, have inherent use limitations set forth in tariffs or contractual commitments. Moreover, the use limitations associated with demand response programs and procurement reviewed by the California Public Utilities Commission (CPUC) in its jurisdictional role as a Local Regulatory Authority are evaluated and deemed reasonable by the CPUC.

Per RSI 1, use-limited resources, upon reaching their use limitations, are exempt from the RAAIM (Resource Adequacy Availability Incentive Mechanism) and are able to use a short-term outage card to effect this exemption. Under this section in the Second Revised Straw Proposal for RSI 2, however, staff "proposes not to exempt use-limited resources from RAAIM with limitations that extend beyond the current month." (Proposal, at 4-5.) Thus once a use-limited resource hits any *annual* limitations, the resource would be subject to the RAAIM for the rest of the year, unless substitute capacity is acquired. The monthly exemption from RAAIM for use-limited resources that hit their *monthly* limit would apparently be retained and the short-term outage card would continue to be available to effect that exemption.

This exemption and practice should also continue to apply to PDR resources, as it currently does, regardless of any changes to PDR's status as "use-limited." In CAISO's Commitment Cost Enhancement Phase 3 (CCE 3), the CAISO proposes elimination of the default use-limited status for PDR and RDRR; this status change would occur by fall 2017. PDR resources, however, have and will continue to have intra-monthly and monthly use limitations, notwithstanding the proposed changes to the definition of use-limited status in CCE 3. The proposed elimination of the use-limited status in that stakeholder process should *not* lead to elimination of PDR's ability to use a short-term outage card once it has met its MOO, nor should it lead to an elimination of the monthly exemption from RAAIM for PDR resources that would be effected through use of the short-term outage card for the current month. (RDRR's offer requirements and bid price are set by CAISO tariff and triggered by specified contingencies. These should not change regardless of RSI 2.) Furthermore, the exemption from bid insertion and bid mitigation should also continue for PDR and RDRR.

The Must-Offer Obligation (MOO) for PDR requires it to bid into the CAISO energy market until it is dispatched three days in a row, for 4 consecutive hours per day. It may then submit a short-term outage card for two days. In addition, once the resource is dispatched for 24 hours in a month, it may also put in an outage card.[1] The ability to submit an outage card is supported by the current definition of PDR and RDRR as use-limited resources. However, in the final RSI 2 proposal, PDR and RDRR should explicitly continue to be able to use the short-term outage card to effect the monthly exemption from RAAIM once the monthly use-limitation is hit, regardless of whether the CAISO changes the definition of use-limited resource in CCE3. The proposal in CCE3 to restrict the definition of use-limited resource to those with opportunity costs could inappropriately eliminate the ability to submit outage cards for PDR and RDRR to effect the monthly exemption from RAAIM; this would be incompatible with their essential nature and MOO, unless that ability and monthly exemption is explicitly retained in RSI 2.

The flexible RA must-offer obligation for category 3 resources (which would likely include PDR and RDRR) are:

- Availability for 5 hours,
    - 12-5pm for May-September and 3-8pm for Jan-April and Oct-Dec,
- On non-holiday weekdays,
- With a minimum of 5 starts per month and
- 3 hours of energy.

Notably, the Second Revised Straw Proposal claims it is "not proposing any changes to the definitions, rules, or parameters originally established in FRACMOO stakeholder process." (Proposal, at 29) Rather, the changes proposed in RSI 2 are intended to help ISO "effectively administer the RA program." (Proposal, at 4) The MustOfferObligation for flexible Category 3 resources (including PDR and RDRR) is an ongoing, monthly obligation (albeit one that varies over the year). CLECA's understanding is that once that MOO is met, if monthly use-limits for category 3 resources are hit, they would be able to put in a short-term outage ticket and be exempt for that month from the RAAIM. CLECA seeks the same explicit clarification in the final proposal for the flexible MOO for PDR and RDRR resources as discussed above: that regardless of any changes to use-limited status per CCE3, PDR and RDRR will retain their current ability to use short-term outage tickets and effect the exemption from RAAIM for the current month once their use limits are hit.

While the proposal states it is not seeking to change the must-offer requirements set in FRACMOO, the new proposal to apply RAAIM to use-limited resources upon exhaustion of annual use limitations may de facto alter the must-offer obligation for these resources. Such de facto changing of the rules may also impact prices sought by the resources, as it could impact their costs (e.g., adding substitution resource costs should the use limitation be reached).

CLECA does not fully understand the CAISO's concerns with the annual use limitations. CAISO staff claim that not exempting use-limited resources once they have hit their annual limitations will "ensure sufficient capacity remains available to the market." (Proposal, at 4) Staff also state that "there are no rules disqualifying use-

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[1] See Reliability Services, Addendum to the Draft Final Proposal, February 27, 2015, Part I, Section 4.4, p. 15.

limited resources that are no longer available from continually being shown on RA plans." (Proposal, at 26) The Proposal explains the change as "intended to provide an incentive for scheduling coordinators to show substitute capacity that is still available to the market." (Proposal, at 27) CLECA understands this "showing" to be expected on the updated RA monthly reports. Have there been recurring, significant shortfalls of capacity available to the market in the latter part of the year that lead this CAISO concern? Has backstop procurement been required? Or is this more a matter of anticipated future flexible capacity shortfalls due to policies for increasing renewable generation that may be intermittent? Further explanation for the change being made for annual use limitations is needed to justify this change from the exemption adopted in RSI 1.

An alternative (and less complex) option may be seeking the Local Regulatory Authority's help in terms of what is required from load serving entities for the updated monthly showings. For example, the CAISO could propose in the current RA docket that the CPUC require that the updated monthly RA showings that include use-limited resources indicate if those use limits are reached. As CPUC staff stated in their October 28, 2015 comments here, California state law "states in relevant part, [t]he ***commission***, in consultation with the Independent System Operator, ***shall establish resource adequacy requirements for all load serving entities***."

5. <u>Masterfile changes and RAAIM availability.</u>

   CLECA understands that there have been some challenges in implementing the daily limitations for existing PDR resources in the Masterfiles. These should be resolved. Otherwise, application of RAAIM to PDR based on Masterfile changes seeking to implement appropriate use limitations could create additional difficulties.

6. <u>Address the RAAIM exemption currently in place for combined flexible capacity resources.</u>

   Not addressed at this time.

7. <u>Streamlining monthly RA showings.</u>

   Not addressed at this time.

8. <u>Other.</u>

   Not addressed at this time.