

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER21-1551-000
Operator Corporation)**

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comment in the above-captioned proceeding.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission’s Order 719, the CAISO tariff states that “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities.”¹ As this proceeding involves CAISO tariff provisions which affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

¹ CAISO Tariff Appendix P, Section 5.1.

II. COMMENTS

In this tariff filing, the ISO proposes several tariff changes in advance of summer 2021.² These changes include:

- Applying minimum state of charge requirements to resource adequacy storage resources in real-time, so that resources can be sufficiently charged to meet day-ahead discharge awards under limited conditions;
- Requiring that scheduling coordinators for all resource adequacy capacity seeking approval for planned outages provide substitute capacity;
- Clarifying that a new outage card must be created for any resource seeking to extend an existing outage; and
- Extending the ISO's backstop procurement authority to cure for potential energy deficiencies in local and sub-local capacity areas.

DMM generally supports the ISO's proposed tariff revisions. These changes could help ensure that resource adequacy capacity remains available to the ISO on very constrained operating days. We provide additional details below.

The ISO's minimum state of charge proposal for storage resources could add transparency to manual actions that ISO operators might otherwise take to manage storage resources on very constrained operating days.

DMM does not oppose the ISO's proposal to apply minimum state of charge constraints in real-time to energy storage resources providing resource adequacy.

Over the course of developing this proposal, the ISO pared its proposal down significantly so that the proposed functionality would only be used in a limited set of

² *Tariff Amendment to Implement the Resource Adequacy Enhancements Phase 1 Initiative – Summer 2021 Provisions*, California Independent System Operator Corporation, Docket No. ER21-1151-000. ("Transmittal Letter").

hours and only on days with RUC infeasibilities. On these limited number of days and hours, operators would also have the option to not use the minimum stage of charge requirements in real-time. DMM's understanding is that in the absence of this proposal, operators will continue to have the authority to effectuate the exact same outcomes on storage resources through less transparent manual dispatches. DMM sees the ISO's proposal as adding some transparency to actions operators may otherwise take under tight operating conditions.

DMM supports the ISO's proposal as an interim measure for managing storage resources in real-time, under very limited conditions. However, utilizing the proposed minimum state of charge constraints may not be the best way for operators to manage batteries in emergency situations. For example, operators may need storage capacity to be available in real-time above and beyond any day-ahead discharge awards such that additional manual dispatch instructions are necessary. DMM has observed that the ISO's current processes for manually dispatching storage resources are very inflexible, and continues to recommend that the ISO work on ways to improve their processes for issuing manual dispatches to storage resources.

DMM sees potential pros and cons to the ISO's proposed planned outage process changes from a reliability perspective, but ultimately defers to the ISO's and CPUC's judgment that this proposal would improve reliability in the near term.

The ISO proposes to require that scheduling coordinators for all resource adequacy resources taking planned outages provide substitute capacity starting summer 2021. The ISO's proposal would be an interim measure, until a longer-term planned outage framework is developed in Phase 2 of its Resource Adequacy

Enhancements stakeholder process. DMM has some concerns that the benefits of the ISO's proposal may not outweigh potential cons from a reliability perspective. However, the CPUC and ISO staff, including staff that works on outage scheduling, believe that the proposal will improve reliability. Therefore, DMM defers to the ISO's and CPUC's judgement, and supports the ISO's planned outage proposal as an interim measure.

On one hand, requiring substitution for all planned outages would create stronger incentives for resource owners that are planning maintenance far in advance of the outage date to try to procure substitute capacity farther in advance compared to today, where more substitution capacity may be available. Today, a supplier may face uncertainty over whether or not it might need to buy substitute capacity at all.

However, if a supplier cannot find reasonably priced substitute capacity, DMM has some concern that the ISO's proposal could increase incentives for the supplier to wait to report an intended maintenance outage to the ISO, which could cause the ISO to be informed of outages in a less timely manner. In scenarios where substitute capacity may be expensive, unavailable, or ineffective, suppliers may have the incentive to wait until after the planned outage window to submit an outage as forced. The outcome of this effect is that the ISO's policy may result in suppliers submitting outages later, which could be detrimental to reliability if the ISO has limited lead time to plan for an increased number of forced outages.

DMM also has some concern that the ISO's proposal could further remove incentives for suppliers to sell excess capacity in bilateral markets in order to reserve

excess capacity to cover their own unexpected maintenance outages. Therefore, this proposal could further tighten bilateral resource adequacy markets and make it more difficult for suppliers to find reasonably priced substitute capacity for important maintenance outages.

To address concerns about suppliers reporting planned outages in the forced timeframe, the ISO states in its Transmittal Letter that:

It is not appropriate under existing rules for a generator to wait intentionally until the forced timeframe to avoid the planned outage substitution process. Under the proposed rules, it would not be appropriate for a generator to wait intentionally until the forced outage timeframe to report an outage to avoid the new substitution requirement.³

However, the ISO adds that:

However, if and when a generator reports a forced outage, it has a credible reason the outage can wait no longer, then the CAISO would be unlikely to take further action.⁴

DMM's understanding is that there is no explicit regulatory requirement for suppliers to notify the ISO about potential maintenance outages in the planned outage timeframe. Absent this type of explicit requirement, suppliers may not have sufficient incentives to inform the ISO about potential maintenance outages in the planned outage timeframe, in situations where reasonably priced and effective substitute capacity is not available. DMM has some concern that monitoring for

³ *Transmittal Letter*, p. 33.

⁴ *Ibid.*

known planned outages submitted in the forced timeframe could become more complicated if suppliers wait to submit the outage until a point in time when the supplier determines that it must move forward with the outage.

Ultimately, DMM defers to the ISO and CPUC staff judgements that the ISO's planned outage proposal should enhance reliability starting in summer 2021 and supports the ISO's planned outage proposal as an interim measure. DMM looks forward to working with the ISO and stakeholders on longer term enhancements to the planned outage process in Phase 2 of the ISO's Resource Adequacy Enhancements stakeholder process.

DMM supports the ISO's proposal to clarify that a new outage card must be submitted for planned outage extensions.

The ISO's proposal to clarify that a new outage card must be submitted for planned outage extensions is an enhancement over existing processes. The ISO states that this proposal would allow the ISO to better manage outage extensions separately from the original planned outage. DMM therefore supports this proposal as an improvement to the ISO's current planned outage reporting rules.

DMM supports the ISO's proposal to expand its backstop procurement authority to ensure that local capacity resources can meet energy needs in local areas and sub-areas.

DMM shares the ISO's concerns about an increased reliance on energy and availability-limited resources to meet resource adequacy requirements as these resources may have limited output to meet demand across all hours of the day. Additionally, as storage resources begin to comprise a larger portion of the resource adequacy fleet, the energy required to charge storage resources must also be

accounted for in determining whether the resource adequacy fleet is sufficient to meet demand and storage charging requirements across each day.

Ideally, the ISO's energy requirements for local areas would be reflected in forward procurement requirements so that resources effective in meeting both the ISO's capacity and energy needs are procured in advance, and reliance on the ISO's backstop mechanisms is minimized. However, in the shorter term DMM supports the ISO's proposal to expand its backstop procurement authority to cure for potential energy deficiencies in local areas and sub-areas based on the ISO's local capacity technical studies.

While DMM supports the ISO extending its backstop procurement authority under this proposal, DMM has suggested that the ISO continue to work on developing new cost allocation rules that better reflect cost-causation for backstop procurement issued to address energy deficiencies. The existing cost allocation methodology for a local collective deficiency is based on load serving entities' share of transmission area gross load. Using this cost allocation methodology to allocate backstop procurement costs associated with local energy deficiencies may not result in costs being allocated proportionately to the entities that drove the need for the backstop procurement.

III. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

/s/ Eric Hildebrandt

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Independent Market Monitor for the California
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Dated: April 19, 2021

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 19th day of April, 2021.

/s/ Jennifer Shirk
Jennifer Shirk