

# Comments on the Temporary Shutdown of Resource Operations Straw Proposal

## Department of Market Monitoring

July 28, 2017

### Overview

The Department of Market Monitoring (“DMM”) appreciates the opportunity to review and comment on the ISO’s Temporary Shutdown of Resource Operations (“TSRO”) Straw Proposal.<sup>1</sup> DMM supports the ISO’s efforts in identifying and implementing an approach to allow for non-physical Outages when supply resources do not otherwise have a must-offer obligation.<sup>2</sup> In general it is reasonable to give generators the option to request an Outage for a non-physical reason. Furthermore, if a non-physical Outage request is denied by the ISO, the requesting generator should be compensated by the ISO.

### I. General comments

Participating Generator Agreements (“PGAs”) require generators to comply with the ISO Tariff.<sup>3</sup> The Tariff requires generators to get the ISO’s approval when taking an Outage.<sup>4</sup> As FERC stated in its order denying the La Paloma complaint, “[...] based on the most reasonable construction of the tariff, the only permissible reasons for seeking an outage from CAISO include planned maintenance, new construction, or other work.”<sup>5</sup> Therefore, because none of the reasons listed are non-physical, the ISO Tariff does not permit non-physical Outages.

The ISO Tariff also requires generators to promptly comply with Dispatch Instructions and operating orders from the ISO.<sup>6</sup> By not allowing non-physical Outages combined with its requirement that generators promptly comply with orders, the ISO obligates generators to incur costs (e.g. maintaining staff, physical preparedness, et al.) if they do not have an approved physical Outage. It is inappropriate to create this obligation without compensating a generator for the costs of meeting the obligation plus a rate of return. Therefore, the ISO should develop policy to allow generators without resource adequacy (RA) obligations to take non-physical Outages and policy obligating the ISO to pay for the availability of such generators whose non-physical Outage request the ISO has denied.

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<sup>1</sup> *Temporary Shutdown of Resource Operations*, CAISO Straw Proposal, June 21, 2017.

<sup>2</sup> Unless otherwise noted defined terms in these comments refer to the definitions as in the CAISO Tariff, Appendix A – Definitions.

<sup>3</sup> CAISO, Tariff Appendix B.2 Participating Generator Agreement at §4.2 Agreement Subject to CAISO Tariff

<sup>4</sup> *Id.* at §9.3.2

<sup>5</sup> *La Paloma Gen. Comp. v. Cal. Indep. Sys. Operator Corp.*, 157 FERC ¶ 61,002 at P 13, *Order Denying Complaint* (2016).

<sup>6</sup> CAISO, Tariff § 4.2.1.

## II. Emergency recall time requirement<sup>7</sup>

A requirement to return to service within 10-days may be too short a time for a generator with a non-physical Outage to realize the benefits of having the Outage. Based on stakeholder comments it appears likely the cost saving measures could not be realized with a 10-day return to service requirement. Generators would still have to incur fixed costs such as staffing and maintaining equipment readiness.<sup>8</sup> The ISO proposes the emergency return time requirement for reliability purposes. However, capacity that the ISO thinks it needs to be available within 10 days seems like a capacity product that should be compensated.

An alternative option to consider is allowing the generator to specify an emergency recall time in its non-physical Outage application. The ISO would still have clarity for planning purposes and generators would be free to specify a return to service time frame that would ensure they benefit from taking the Outage. The 10-day return to service requirement may eliminate benefits a generator would receive from being permitted to take a non-physical Outage. If the ISO keeps the 10-day return to service requirement, a generator's incentive for requesting a non-physical Outage may be limited to the potential capacity compensation for any Outage requests that the ISO denies.

## III. Cancelling non-physical Outages

Approved non-physical Outages should not bind a generator to remain offline for the duration of its Outage. If a generator on non-physical Outage wants to come back online it would be inefficient to keep it from doing so and competing in the market. However, there should be incentives in place to prevent generators from abusing the non-physical Outage process. In particular, incentives should be designed to discourage generators from requesting Outages that they intend to cancel if the ISO approves the Outage, because they are attempting to benefit from the capacity compensation they would receive for a potentially denied Outage request.

Possible incentives to consider to prevent such behavior include:

- Not allowing a resource to submit requests covering the same dates as another active, withdrawn or approved non-physical Outage request;
- Require a resource that cancels an approved non-physical Outage to have a must offer obligation for the remainder of the originally approved Outage;
- If a resource cancels an approved non-physical Outage that resource should not be awarded an Exceptional Dispatch CPM if it is exceptionally dispatched during the remainder of the period for which its non-physical Outage would have been in effect; and
- Other incentives the ISO or stakeholders may develop during this policy initiative.

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<sup>7</sup> The Straw Proposal puts forth a 10-day emergency recall time, meaning generators under a non-physical Outage would be required to return to service within 10 business days upon notification from the ISO, (p. 20).

<sup>8</sup> See *Comments on Straw Proposal*, Calpine Comments, (P. 4) and NRG Comments, (P. 3) [http://www.caiso.com/informed/Pages/StakeholderProcesses/TemporaryShutdown\\_ResourceOperations.aspx](http://www.caiso.com/informed/Pages/StakeholderProcesses/TemporaryShutdown_ResourceOperations.aspx)

#### **IV. Maximum TSRO Outage duration**

The ISO does not provide a policy justification for capping non-physical Outage lengths at four months. DMM's current understanding is that the ISO could approve planned maintenance Outages of greater than four months. The ISO should explain why it is appropriate to have a different policy for planned maintenance Outages of resources with RA obligations than for planned non-physical Outages of Generators without RA obligations.

#### **V. Reporting**

One way to facilitate enforcement of non-physical Outage requirements for generators without RA obligations is to publicly make clear which generators have applied for Outages. A public posting of applications and approvals will give LSEs the ability to evaluate whether non-physical Outage applicants are in conflict with their RA obligations. Taking this step will help to mitigate the risk of generators with RA obligations applying for Outages that could result in the generator getting compensated twice for its capacity.

#### **VI. Compensation for other types of Outages**

Paying generators without RA obligations when they are denied non-physical Outages, but not paying generators without RA obligations when they are denied traditional Outages introduces a discrepancy between how the ISO handles different Outage types. Denying either type of Outage without payment is tantamount to the ISO procuring additional capacity while at the same time obligating a resource to incur uncompensated costs. The ISO should consider extending payment to denied traditional (physical) Outages, in much the same way that is being contemplated in this initiative for non-physical Outages.