



Decision on phase 1 frequency response proposal

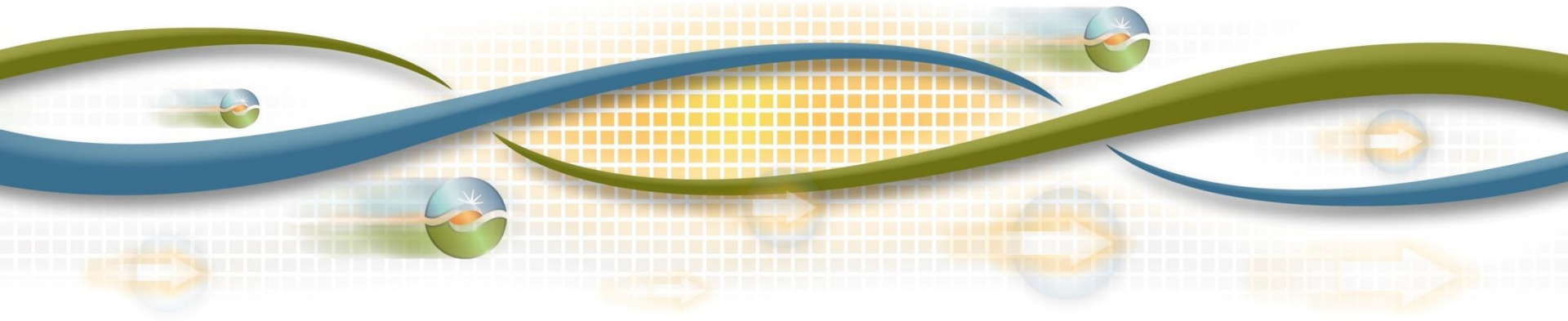
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Board of Governors Meeting

General Session

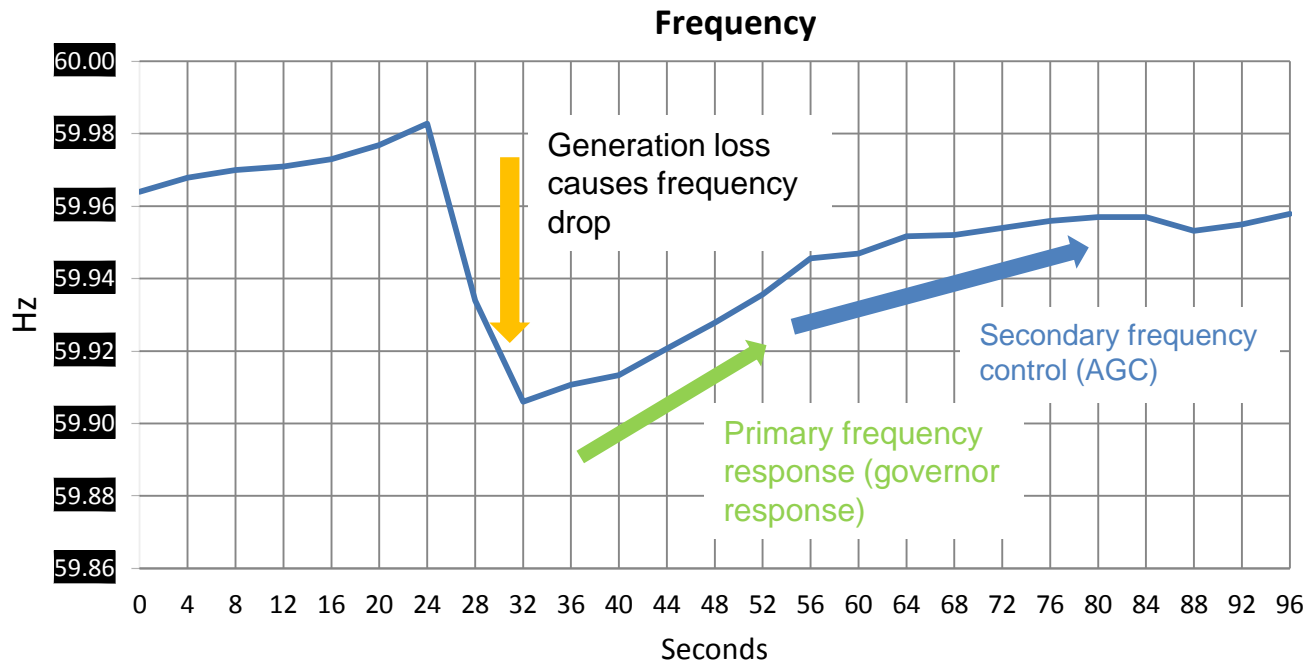
March 25, 2016



New NERC reliability obligation for balancing authorities to provide sufficient frequency response during contingency events

- Compliance obligation begins December 1, 2016
- Analysis shows ISO could have periods of insufficient frequency response
- ISO is completing policy development in two phases:
 - Phase 1 proposal address near-term compliance
 - Phase 2 scope is to evaluate more comprehensive solutions

Primary frequency response is activated in the first 30 seconds following a contingency.



Management proposes new provisions to help ensure compliance with the new NERC requirement.

- Conduct an RFO to transfer a portion of the ISO's primary frequency response obligation to another balancing area
- Hold all spinning reserves for contingency events
- Monitor and report on ISO's frequency response performance
- Introduce stronger requirements for all participating generators able to provide frequency services

Proposal would allow for transfers of a portion of the ISO's frequency response obligation to another balancing area through a competitive solicitation process.

- Selling balancing authority area(s) would include corresponding, offsetting adjustment as part of their compliance obligation
- Procurement costs allocated to demand
- Helps ensure compliance with new reliability standard and mitigate the risk of incurring penalty

New provision proposed to ensure spinning reserves are available for contingency events.

- Hold all spinning reserves for contingency events to improve ISO's frequency response capability
- Preserves the frequency responsive headroom, and the contingency reserve capability, by not dispatching reserves for energy

Propose to align ISO tariff requirements with NERC guidelines for frequency response.

Require generators to:

- Coordinate generator controls to enable frequency response
 - Except for controls to manage operational constraints or environmental regulations
- Set frequency response equipment to recommended settings
- Submit information to the ISO regarding resource's frequency responsive equipment's physical parameters

Proposal includes monitoring and reporting on ISO's frequency response performance.

- Routinely monitor and report ISO balancing area's primary frequency response performance through ISO's Monthly Market Quality Report
- Enables market participants to better understand the fleet's performance and the frequency response needs of the ISO balancing area

Stakeholders largely support stronger generator requirements and transferring a portion of the ISO's obligation.

- Stakeholders largely support proposals as necessary to ensure compliance in short-term
- Some generators argue its discriminatory to procure frequency response from other balancing areas without also considering procuring it from generators within ISO.
 - Transferring obligation is an established NERC procedure
 - Management will consider more comprehensive long-term design solutions that could include the development of a new frequency response product

Management recommends the Board approve the phase 1 frequency response proposal.

- Helps ensure ISO will meet new NERC reliability obligation in the first compliance period beginning December 1
- Improves grid reliability
 - hold reserves for contingency events
 - strengthen requirements of participating generators able to provide frequency response