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**PacifiCorp’s Comments on the Reliability Coordinator Services
Rate Design, Terms, and Conditions
Draft Tariff Language and *Pro Forma* Agreement**

PacifiCorp submits the following comments to the California Independent System Operator Corporation (“ISO”) on the Reliability Coordinator Services (“RC Services”) Rate Design, Terms, and Conditions draft tariff language (“RC Services Tariff”) and *pro forma* agreement (“RC Services Agreement”) published July 18, 2018. PacifiCorp appreciates the opportunity to provide comments for the ISO’s consideration.

The RC Services Tariff and RC Services Agreement Should Clearly Articulate the Independence of the RC Services

The draft RC Services Tariff and draft RC Services Agreement provide a good initial framework for the provision of RC Services, but every section should reflect the primary goal of maintaining the reliable operation of the system. The Reliability Coordinator oversees the reliable operation of the system across multiple balancing authority areas, independent of any commercial arrangements. To that end, additional clarity is warranted regarding the independence of the ISO’s provision of RC Services, including:

RC Services Tariff Section 19.1 – General Provisions

RC Services Tariff section 19.1(b)(2)(C) provides that RC customers must comply with other provisions of the ISO’s tariff that apply to section 19 to the extent such provisions are not limited in applicability to the ISO controlled grid, balancing authority area or markets. PacifiCorp requests that the ISO articulate which specific provisions of its tariff are included under this section 19.1(b)(2)(C) provision to ensure that other ISO operations do not affect the independence of the Reliability Coordinator.

RC Services Tariff Section 19.5 – Roles and Responsibilities

RC Services Tariff section 19.5(a)(2) states that “[n]othing in Section 19 shall alter the [ISO’s] responsibility under other sections of the [ISO] Tariff,...or any other Applicable Reliability Criteria as the Balancing Authority for the [ISO] Balancing Authority Area and the transmission operator for the [ISO] Controlled Grid.” PacifiCorp believes the intent of this language is to



confirm that the ISO maintains reliability and tariff responsibilities separate from its provision of RC Services. That being said, additional clarification stating the independence of the Reliability Coordinator would remove potential concerns over the same entity having concurrent roles as both the issuer and receiver of reliability directives. Furthermore, the language in section 19.5(a)(2) should mirror the language in section 19.5(b)(3), and should be limited to responsibilities under NERC Reliability Standards for which the ISO is registered.

Similarly, RC Services Tariff section 19.5(b)(2)(B) should be clarified to specifically require the exchange of data, operating plans, operating procedures, studies, and reports required for the provision of RC Services. While the reference to the business practice manual for RC Services is an appropriate reference to a document outside the tariff (which provides the ability to adapt data requirements to meet emerging reliability needs) the reference to “Operating Procedures” is not clear and could refer to other market operating procedures. The reference to “Operating Procedures” should either be removed or clarified to ensure the data relates to RC Services.

RC Services Agreement Section 3.2 – Termination

RC Services Agreement section 3.2.1 appears to provide for an absolute 30-day cure period in the event of a material default, material default being an undefined term. PacifiCorp agrees that termination is a necessary option for the ISO to ensure compliance with the RC Services Tariff and RC Services Agreement, however, it is unclear what may constitute a material default under the RC Services Agreement. An absolute 30-day cure period may not be sufficient in all circumstances, and specific circumstances may not create risks to either reliability or the ISO’s financial position.

PacifiCorp is also concerned that the language in RC Services Agreement section 3.2.3 creates an unnecessary risk to reliability. Section 3.2.3 requires the ISO to assist the RC customer in its transition to another Reliability Coordinator, but includes an exception for defaulting RC customers. This exception is unnecessary and could lead to unintended reliability issues due to gaps between Reliability Coordinator oversight. If an event were to occur when the defaulting RC customer was in-between Reliability Coordinators, there could be insufficient coordination to maintain system reliability and prevent cascading issues affecting other balancing authority areas in the West.

PacifiCorp recommends that section 3.2.1 be revised to include standard cure period language, allowing the parties to negotiate the time required to cure material defaults, other than failure to pay. Additionally, section 3.2.3 should be revised to ensure that the ISO will reasonably assist all RC customers in a transition to another Reliability Coordinator, regardless of the reason for the transition.



The RC Services Tariff and RC Services Agreement Should Ensure RC Services Transparency

PacifiCorp anticipates that the ISO will be transparent in its operations and billing for the provision of RC Services. However, certain specific modifications to the draft RC Services Tariff and draft RC Services Agreement would facilitate transparency and ensure reliability is maintained. PacifiCorp recommends that the RC Services Tariff include a dispute resolution procedure for invoiced RC Services charges, including the audit rights and recognition of rights under section 206 of the Federal Power Act to raise the dispute with the Federal Energy Regulatory Commission, if the dispute cannot be resolved through alternative means, along with the following modifications:

RC Services Tariff Section 19.6 – Provision of Settlement Data by RC Customers

RC Services Tariff Section 19.6(a) limits the applicability of section 19.6 to balancing authorities other than the ISO and transmission operators located in a balancing authority areas other than the ISO. Section 19.6(b) requires data related to billing volumes and net energy for load (“NEL”). This information will be used to calculate RC Services charges. Section 19.6(g) provides audit rights to the ISO, and the ability to adjust previously issued invoices. These provisions are entirely appropriate, but it does not appear that an RC customer has a right to audit similar data related to the ISO, as a registered balancing authority. Absent the right to audit, an RC customer would have no ability to challenge the ISO assessment given the provisions in section 19.7(d), which states that “RC customers shall be prohibited from disputing any RC Services Invoice, except on the grounds that an error in the invoice is due to a mere typographical or other ministerial error by the [ISO].”

A commitment to post the ISO’s billing volumes and NEL information, if not already required under a separate section in the ISO’s tariff, would address this concern and promote transparency. The posting requirement should apply to the data underlying all invoiced charges, either annual or a supplemental RC Services invoice following default by an RC customer under section 19.7(e)(5). This is necessary transparency required to ensure all parties understand the allocations to avoid unnecessary tension between the Reliability Coordinator and RC customers, distracting parties from the primary focus of reliability.

RC Services Tariff Section 19.7 – Settlements and Billing for RC Customers

In RC Services Tariff section 19.7(e)(3), the ISO proposes, “If payment is not received by the last Business Day in January, the RC Customer will be charged a \$1,000 late payment fee on a supplemental RC Services Invoice and will be considered to be in default understanding that the [ISO] reserves the right to suspend such RC Customer’s RC services until such time payment is received.” PacifiCorp supports the late payment fee, and suggests consideration of an escalating fee under certain circumstances to incent payment and prevent the need to shift costs to other RC customers.



Under RC Services Tariff section 19.7(e)(5), the ISO proposes that it may, at its discretion, issue a supplemental RC Services invoice to all other RC customers, that reallocates any amounts unpaid by a defaulting customer to the other RC customers. There is no limitation on the ISO's discretion to issue supplemental invoices and the other RC customers are required to pay the unanticipated costs within 15 business days (compared to the 21 business days following the annual invoice). Given the annual billing for RC Services, it is unlikely that the ISO will be placed in immediate financial distress if there is a default in payment by an RC customer. It is more appropriate for the ISO to exhaust other potential remedies, including allowing the defaulting RC customer an opportunity to cure the default, before seeking reallocation to non-defaulting customers. RC customers should also have an opportunity to review the supporting data and, potentially, challenge or otherwise dispute the supplemental amounts billed to them. PacifiCorp asserts that the language should provide the other RC customers with the data and information necessary to verify the supplemental billing, perhaps in the form of data illustrating how the reassessment of the NEL was proportionally calculated.

PacifiCorp recommends that language be added to the RC Services Tariff that describes a more robust cure process following a default, and a longer time period prior to suspension of a defaulting customer's RC Services and the reallocation of RC Services charges following a default for failure to pay. PacifiCorp agrees that a defaulting party should have consequences, such as a late payment fee(s), but the ISO should not seek to reallocate costs unless there is an immediate need and the RC customer has been provided an appropriate time to cure the default.

Other Issues

PacifiCorp has identified certain additional issues that should be addressed in a revised draft RC Services Tariff and draft RC Services Agreement. PacifiCorp provides the following recommendations for consideration by the ISO:

RC Services Tariff Section 19.16 – Miscellaneous Provisions in Addition to Section 22

RC Services Tariff section 19.16 references section 22 of the ISO tariff, substituting the term "RC customers" for "Market Participants". Section 22 of the ISO tariff includes provisions that appear to conflict with provisions in RC Services Tariff section 19 and the RC Services Agreement. PacifiCorp recommends that the ISO carefully review section 22 of its tariff to determine which provisions are necessary and include those provisions in section 19.

RC Services Agreement Section 9.1 – Dispute Resolution

PacifiCorp requests that the ISO revise section 9.1 to reference the parties' right under section 206 of the Federal Power Act to raise the dispute with the Federal Energy Regulatory Commission if the dispute cannot be resolved through alternative means. PacifiCorp also requests that this provision be replicated in the RC Services Tariff.



RC Services Agreement Section 10.4 - Assignments

RC Services Agreement section 10.4 requires prior written approval from the ISO before any assignment or transfer of any or all rights under the RC Services Agreement. This requirement could add unnecessary delays to corporate reorganizations and acquisitions. PacifiCorp requests that this language be revised to state that prior written consent is not required in the event of an assignment or transfer following the sale, acquisition, disposition, or merger of all, or substantially all, of the RC customer's transmission assets.

Conclusion

PacifiCorp appreciates the ISO's consideration of these comments and looks forward to the upcoming stakeholder discussion.