

## Stakeholder Comments

### Reliability Services Draft Tariff Language

Submitted by	Company	Date Submitted
Martin Blagaich – (626) 302-3302	Southern California Edison	February 17, 2017

Southern California Edison (SCE) offers the following comments on the Reliability Services Draft Tariff Language. SCE believes the tariff changes relating to the local sufficiency tests 1) need to be clarified and 2) performed in collaboration with Local Regulatory Authority (LRA) rule changes on this topic.

**The changes to tariff section 40.7 “Compliance” seem to result in an incentive mechanism to never tag a resource as Local.**

Section 40.7 adds the following tariff language:

“Any evaluation of compliance with the responsibility for procuring Local Capacity Area Resources will be made without regard to capacity’s identification as Listed Local RA Capacity.”

SCE’s understanding is that this is true for the cumulative deficiency test that the CAISO performs for an entire local RA area. However, as written, SCE interprets this to mean that the amount of resources shown with a local tag will never be considered. If this is true, there is a direct incentive for all resources in a local area to be shown without the local tag since 1) they will still count for the local requirement showing and 2) not have a local replacement obligation. SCE believes this incentive is not what the policy was meant to apply and should be addressed.

SCE believes an option to address this concern is to change the tariff language to be:

“Any evaluation of the cumulative deficiency within a local area will be made without regard to capacity’s identification as Listed Local RA Capacity.”

**The CAISO needs to verify that sufficient resources are shown with a local tag.**

Tariff language needs to be added to verify that enough local resources are shown with a local RA tag. It is possible that this requirement can be implemented by LRAs. However, if the requirement is not implemented consistently amongst all LRAs it could create a leaning issue for local resources.

For example, assume two LSEs have local RA obligations in the same local area. LSE 1 shows their share of the local requirement with local tagged resources (i.e. a resource located in a local area and shown on the RA showing to meet the LSEs local RA requirement). LSE 2 shows their share of the local requirement with local resources that are not tagged as local (i.e. a resource located in a local area that is shown as a system resource on the RA showing). As written, the CAISO verification process would show that the local RA requirement is met. If a resource from LSE 1's showing goes on outage, the resource will have a requirement to substitute another local resource in its place in order to avoid RAAIM penalties. If a resource from LSE 2's showing goes on outage, the resource will not be required to substitute a local resource and will only need to submit a system resource to avoid RAAIM penalties. If the LSE 2's resource outage results in a local deficiency, the CAISO could backstop another resource and distribute the backstop cost to both LSE 1 and LSE 2. However, in this case, LSE 2 had not met their local obligation and the only cost to that LSE is their load ratio share of the CPM. Instead, there needs to be a mechanism that feeds back to the Local Regulatory Authority (LRA) that would allow the LRA to apply penalties as dictated by their own regulations.

This is not the incentive the policy was meant to add. Rather, all LSEs in a local area should be required to show enough local RA resources, with a local RA tag, such that the nominal local requirement is met. After the nominal local requirement is met, there can be other local resources that only need to be shown to help meet the larger system RA need. It is in this case that a local resource should be allowed to be shown without the local RA tag. If this is not addressed, the tariff changes will not result in correct incentives for participating members within the CAISO.

SCE strongly encourages the CAISO to work with LRAs to address this issue and to, if needed, add tariff language to verify the issues identified above will never be realized.