Stakeholder Comments Template

Reliability Services Initiative - Phase 2
Draft Final Proposal

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the draft final proposal for the Reliability Services Initiative - Phase 2 that was posted on January 26, 2015. The draft final proposal and other information related to this initiative may be found at: http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.aspx.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **February 26, 2016.**

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below.

1. Clarify Local Regulatory Authority (LRA) interaction and process alignment

   SDG&E recommends ISO to establish an additional process and timeline to review and update the template annually to accommodate LRA changes 90 days prior to the due dates. This annual process will ensure ISO provides the default template to LRAs for review and request necessary changes for additional components to the LRA's RA program. Without the ability to update the template may cause ISO not receiving proper updates to LRA's programs in a timely manner.

   SDG&E would like ISO to define its term of "proper" LRA documentation. What are the required documents necessary to ensure LRAs are allowed to fill out the template.

2. Substitution for flexible capacity resources on planned outage

3. Separate local and system RA for purpose of forced outage substitution

   SDG&E objects to ISO's proposal to unbundle Local and System RA attributes.

   ISO reasons that if a Local resource were contracted to a LSE that has no load within the Local resource's Local area, then the Local resource is no longer providing local reliability and therefore proposes that the resource will be exempt from providing Local substitute capacity in

order to lower RAAIM penalties. In order to implement this proposal, ISO proposes to separate the Local and System RA showings to individually identify which MW belongs to which attribute.

In ISO's RSI1a transmittal letter, ISO explained that introducing multiple categories for a single resource adds enormous complexity for the ISO to implement and track. Yet, ISO's current proposal for Local and System would require separate tracking of the MWs. ISO would also require separate outage substitutions for System and Local MWs. It is unclear to SDG&E how ISO's proposal is less complex to implement or track than that of multiple categories for a resource.

ISO's proposal does not offer consistent treatment of capacity attributes for all market participants. First, ISO assesses collective deficiencies in a local area based on all Local RA resources regardless of how a resource is shown. ISO therefore leans on those Local shown as System resources to ensure local reliability is met. Second, in a case where a committed Local resource is on forced outage, it may be unable to procure Local substitute capacity because those other resources were already shown as System capacity. Therefore, those Local resources are unable to benefit from the surplus of Local capacity that exists already. Third, Local shown as System resources would be exempt from providing Local substitute capacity even when ISO included the resource into its Local reliability calculation. When that resource is on forced outage, it only has to provide other System substitute capacity which does not contribute to local reliability. In such a case, ISO may exercise its backstop procurement authority to meet local reliability needs. While ISO backstop is an available mechanism for either outage case, there is a higher risk of backstop when a Local resource does not provide Local substitute capacity. ISO has not shown how it treats market participants equally in its proposal. ISO's proposal asserts that resource attributes are set based on contract language rather than geographic or operational characteristics. This reasoning is flawed.

ISO's proposal will create unintended consequences. First, LSEs may be notified of incurable deficiencies. Due to the varying nature of monthly NQCs of Local resources, LSEs that are deficient Local would be notified of a Local deficiency. However if all other Local resources are already procured by other LSEs to meet system RA requirements, the Local attribute would be unavailable for procurement. Any form of swapping would result in inefficient markets. Because ISO is proposing to acknowledge that the Local attribute was not procured in the 1st transaction, the Local attribute is stranded from any additional procurement. This situation happens when the NQC of local resources is lower in other months than that of August. Second, requiring LSEs to meet the year ahead Local requirement in every month ahead showing could create market power issues when LSEs are faced with either CPM backstop or above market prices.

Finally, ISO is proposing to change the entire RA framework of Local RA compliance from an annual year ahead showing to that of monthly showings. This unintended change requires more thorough vetting and further explanation to stakeholders.

The resulting changes from ISO's proposal reaches farther than the original issue raised by other stakeholders. For these reasons, SDG&E does not support ISO's proposal. SDG&E recommends ISO to reconsider SDG&E's alternate proposal, mentioned in SDG&E's comments to ISO's straw proposal, which is simpler to implement and has significantly less impacts to all stakeholders.

If ISO does not intend to make such dramatic changes to the RA program and is not considering alternative proposals, then at the most, ISO should allow market participants to gain experience from the most recent changes to the substitution process as a result of RSI 1A. In RSI 1A, the ISO identified other Local resources that are located within a compatible bus to provide substitution capacity for other Local resources. This was intended to create a greater supply for resources to transact in order to lower RAAIM penalties. ISO should review the results of local resource substitutions before and after the implementation of RSI 1A to see if there is improvement. Once that analysis is done, then should ISO make other proposals.

4. Process to update EFC list during the year

ISO has established a process to request NQC updates in the CIRA tool. SDG&E recommends the same process should be utilized for EFC updates. This would provide consistent process for scheduling coordinators.

5. Address the RAAIM exemption currently in place for combined flexible capacity resources

SDG&E reiterates is previous concern where a poor performing resource is combined with a better performing resource. Since the ISO is only assessing availability based on the better performing resource, the poor performing resource would have a free pass from the performance obligations of the combined resource. SDG&E requests ISO to monitor and report the usage of the short term use limitation reached NOW of combined resources as well as if a poor performing resource of the combined resource is consistently not being penalized for its poor performance.

6. Streamlining monthly RA showings

7. Other

SDG&E believes ISO must clearly spell out the minimum amount of starts per month a resource must have in order to qualify for each flexible category. At this time, ISO's proposal is ambiguous to those numbers. SDG&E also would like ISO to respond to the following questions for determining flexible categories.

   a. How will ISO set a resource's category for the EFC list if the previous year's use limited data template lists January monthly start limitation as 70 but 30 for the month of May? The EFC list shows a static EFC category for the entire year.

   b. How will ISO determine a resource's category if the use-limited data template only lists an annual start limitation?

   c. Should a resource with 15 monthly starts limitation, but available for 4 starts per day, be qualified as peak ramping if the ISO's opportunity cost adder calculation only expects the resource to be started 10 times every month?