

BUSINESS PRACTICE MANUAL CHANGE MANAGEMENT

SDG&E REPLY BRIEF: PRR 854: LOCAL CAPACITY COUNTING CLARIFICATION

Submitted by	Company	Date Submitted
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I. Introduction

San Diego Gas & Electric Company (“SDG&E”) submits this reply brief to the California Independent System Operator’s (“CAISO” or “ISO”) Response to Appeals for PRR 854.¹ For the reasons discussed below, SDG&E respectfully requests the Appeals Committee to reject proposed revision request (“PRR”) 854 and order the CAISO staff to create a public and transparent stakeholder initiative to develop operational requirements for resources that provide local reliability (*i.e.* local capacity resources).

II. Background

In an attempt to clarify CAISO’s requirements for NERC standards and its reliability criteria and the need for these requirements in the Local Capacity Technical Study, the CAISO issued PRR 854. PRR 854 requires the operator to take all actions necessary to manually adjust the system for the next contingency in 30 minutes or less. SDG&E and Pacific Gas and Electric (“PG&E”) jointly appealed PRR 854. SDG&E and PG&E objected to CAISO’s use of the Business Practice Manual (“BPM”) process to institute new requirements for local capacity resources, asserting that the process used to institute operational requirements for resources that provide local reliability (*i.e.*, local capacity resources) is inappropriate because the proposed BPM implements significant and ill-defined operational requirements of local capacity resources.

On March 16, 2016, CAISO issued its response, rejecting the appeal and stating that neither a stakeholder process nor a tariff amendment is required because express language in the CAISO’s Tariff contemplates that the assumptions in the Local Capacity Technical Study are to

¹ Business Practice Manual Change Management CAISO Response to Appeals (“CAISO Response to Appeals”) March 16, 2016.

be included in the BPM. Like the 20-minute response requirement, the 30 minute repositioning requirement is a parameter of the Local Capacity Technical Study and, in accordance with FERC guidance² and the CAISO Tariff, properly belongs in a BPM. SDG&E responds as follows.

III. Discussion

A. The Proposed Requirement Is Inconsistent with the Definition of Local Capacity Area Resources in CAISO's Tariff

The 20-minute response requirement is inconsistent with the ISO Tariff's definition of Local Capacity Area Resources for Proxy Demand Resources and Reliability Demand Response Resources.

In its Response to Appeal of PRR 854, the ISO indicates that "the 20-minute response requirement is a parameter of the Local Capacity Technical Study"³ CAISO's tariff states:

The Local Capacity Technical Study shall identify Local Capacity Areas, determine the minimum amount of *Local Capacity Area Resources* in MW that must be available to the CAISO within each identified Local Capacity Area, and identify the Generating Units within each identified Local Capacity Area.⁴(emphasis added)

The CAISO Tariff defines Local Capacity Area Resources as:

Resource Adequacy Capacity from a Generating Unit listed in the technical study or Participating Load or Proxy Demand Resource or Reliability Demand Response Resource that is located within a Local Capacity Area capable of contributing toward the amount of capacity required in a particular Local Capacity Area⁵

Based on the Tariff definition for Local Capacity Area Resources, Proxy Demand Resources and Reliability Demand Response Resources that are located within a Local Capacity Area are either 1) excluded from the Local Capacity Technical Study but are still considered Local Capacity Area Resources or 2) deemed to be Local Capacity Area Resources naturally.

² "In approving the CAISO Tariff sections dealing with the Local Capacity Technical Study, FERC rejected a response to provide detailed information regarding study parameters in the tariff." CAISO Response to Appeals, pg. 4.

³ CAISO Response to Appeals, pg 5.

⁴ CAISO Tariff Section 40.3.1.

⁵ CAISO Tariff Appendix A, the CAISO BPM Definitions and Acronyms also define the term the same.

Therefore, the ISO's 20-minute response requirement parameter cannot apply to Proxy Demand Resources and Reliability Demand Response Resources to exclude them from being Local Capacity Area Resources. If the ISO applies the 20-minute response requirement parameter to Proxy Demand Resources and Reliability Demand Response Resources, then the ISO will be in violation of its Tariff definition of Local Capacity Area Resources.

B. The Proposed Clarification Exacerbates Rather than Alleviates Confusion for Market Participants

The ISO asserts that the additional detail to the 20-minute response requirement in the BPM is necessary to alleviate any confusion market participants will have regarding what resources would resolve the studied contingencies.⁶ SDG&E disagrees with CAISO's conclusion. SDG&E believes that the addition of the 20-minute response requirement will only create additional confusion.

The ISO cites tariff section 40.3.1 which allows the ISO to list the assumption of the Local Capacity Technical Study, such as the 20-minute response requirement, in the BPM.⁷ Section 8.1 of the BPM, where the ISO details its Study process and assumptions, lists no assumptions. Rather, it directs the reader back to the latest Local Capacity Area Resources ("LCR") Manual on the ISO website for all assumptions.

SDG&E notes that PRR 854 inserted the 20-minute response requirement under Section 8.2.3 Conditions under which ISO will Engage in Reliability Procurement. Section 8.2.3 neither lists the assumptions nor details ISO's Local Capacity Technical Study at all. Section 8.3.2 is based on the ISO Tariff Sections 43.2.1 and 43.2.2 addresses when the ISO will engage in backstop procurement. The Local Capacity Technical Study, according to CAISO Tariff section 40.3.1, determines only the minimum amount of MWs of Local Capacity Area Resources and does not determine whether or not a Local Capacity Area Resource meets that minimum

⁶ CAISO Response to Appeals, pg 12 "Delaying approval of the PRR does not change the CAISO's planning standards but will lead to continued confusion regarding what resources are capable of resolving the studied Contingencies."

⁷ CAISO Response to Appeals, pg 3.

identified amount. The study itself certainly does not determine when ISO initiates reliability procurement. Inserting the 20-minute response requirement, a parameter to the Local Capacity Technical Study, in section 8.2.3 in fact creates more confusion.

C. The Local Capacity Area Resources Criteria Are Ambiguous

The PRR language requires that Local Capacity Area Resources must meet one of two criteria.

Local capacity resources can meet this requirement by either (1) responding with sufficient speed, allowing the operator the necessary time to assess and redispach resources to effectively reposition the system within 30 minutes after the first contingency, or (2) have sufficient energy available for frequent dispatch on a pre-contingency basis to ensure the operator can meet minimum online commitment constraints or reposition the system within 30 minutes after the first contingency occurs.

The criteria are either undefined and/or ambiguous. Specifically, the “frequent dispatch” language is undefined. The ISO states that it will “[undertake] a *special* study in its 2016-2017 transmission plan to review this issue further.(emphasis added)”⁸ It is irresponsible to set an ambiguous requirement which precludes certain resources from knowing whether or not they would meet an unknown standard. SDG&E believes the ISO must remove the ambiguity prior to adopting this requirement. SDG&E also notes that the ISO must restudy this requirement during every transmission plan as system conditions may change annually.

IV. Conclusion

For the above reasons, SDG&E requests the Appeals Committee to direct the ISO staff to launch a public and transparent stakeholder initiative for the development of operational requirements for resources that provide local reliability (*i.e.* local capacity resources).

⁸ CAISO Response to Appeal, pg 9.