

Business Practice Manual Change Management Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California Reply Brief

Submitted by	Organization	Date Submitted
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The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the “Six Cities”) submit this Reply Brief in response to the ISO’s March 16, 2016 Response to Appeals (“ISO Response”) on the proposed changes to the Reliability Services Business Practice Manual regarding requirements for local capacity resources to be designated as local resource adequacy (“RA”) capacity.

A. The ISO’s Proposed Language Fails to Provide Clarity

In its Response, the ISO repeatedly asserts that its proposed language is intended to clarify its requirements for qualifying as local RA capacity. *See, e.g.*, ISO Response at 1, 3, 5, 7, 9, 11, and 12. However, the proposed language is both (a) internally inconsistent, and (b) creates an opaque requirement resulting in uncertainty as to how the ISO will incorporate non-fast starting resources and how they will qualify as local RA capacity.

1. The Proposed Language Is Internally Inconsistent

While the ISO claims that the language proposed in PRR 854 is intended to clarify its requirements for qualifying as local RA capacity, it ignores the fact that the last paragraph of the proposed language is internally inconsistent. The first sentence of the final paragraph states that resources can meet the manual readjustment requirement in one of two ways: “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 second sentence, however, states: “Accordingly, when evaluating resources that satisfy the requirements of the CAISO Local Capacity Technical Study, the CAISO assumes that local capacity resources need to be available in no longer than 20 minutes” While this assumption could reasonably apply to the resources qualifying under Option (1) (those that can respond with sufficient speed), if it is intended to apply to resources under Option (2), it would render Option (2) meaningless. As noted in the Six Cities’ Opening Brief, the point of Option 2 is that resources may qualify as Local Capacity Resources, despite the inability to “respond[] with sufficient speed.” See Six Cities’ Opening Brief at 3. The “accordingly” sentence removes this option by requiring those resources to be available within 20 minutes, even though, by definition, that would be impossible. It is not apparent from the language as written, nor from the ISO’s Response, if the 20-minute requirement is intended to apply to Option (2) resources. As written, the language implies that all Local Capacity Resources have to meet the 20-minute requirement.

The fact that the language is internally inconsistent was raised in PG&E’s recommendation comments, submitted on November 13, 2015. The ISO’s November 23, 2015 response to the recommendation comments ignored PG&E’s assessment that the language is inconsistent, and instead focused only on demand response resources, managing to avoid addressing the inconsistency between the two sentences. The ISO’s response to the appeal likewise does not address the inconsistency present in its proposed language.

2. The ISO’s Proposed Language Provides No Clarification and Instead Creates Uncertainty

The internal inconsistency in the ISO’s proposed language results in a completely opaque test that leaves Load Serving Entities uncertain as to what resources can actually qualify as local RA capacity. However, even without this language, the ISO’s second option for qualifying as local RA capacity – “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” – lacks sufficient clarity.

In the Six Cities’ Opening Brief, they request that the ISO “modify proposed footnote 7 to address with more clarity how it will handle non-fast starting resources that are unable to meet the 20 minute response time requirement from a cold start.” Six Cities’ Opening Brief at 3. As noted there, it is not clear how the ISO intends to incorporate non-fast starting resources with sufficient availability, and there are unanswered questions with regard to eligibility of non-fast starting resources. See *id.* at 3-4. The ISO Response does not provide the requested clarity, but instead creates even more questions, highlighting why the proposed language is problematic.

For example, the ISO Response quotes language that non-fast starting local capacity resources need to be “sufficiently unconstrained that the resources may be dispatched whenever certain loading conditions exist and in anticipation of the first contingency actually occurring.” ISO Response at 10. This language begs a number of questions. What are the loading conditions that must exist for the resources to be dispatched? How does the ISO identify when the first

contingency is actually occurring? Further, the ISO notes that “the exact level of energy necessary for pre-contingency dispatch will vary by local area,” and states that “any resource counting toward Local Capacity Area requirements must have the attributes to resolve the studied Contingencies.” More questions arise based on these statements. What “attributes” does a resource need to qualify? If the exact level of energy that is necessary varies, how can resources ever know whether they qualify?

The ISO Response thus underscores that the proposed language needs more detail. Although the ISO continues to stress that it is providing a clarification, the new language really just creates uncertainty. Further, the proposed requirement allows the ISO to apply a totally opaque analysis to evaluate the qualification of resources and could permit the ISO to conclude that resources aren’t qualified without having to explain why, because the “attributes” needed for qualification simply aren’t defined.

While the Six Cities recognize that the ISO has stated that frequency of pre-contingency dispatch warrants additional study, the ISO does not state whether it intends to modify the proposed language based on the study results. If that is the ISO’s intent, it is premature to adopt the language as part of the current PRR. Instead, articulating a requirement for non-fast starting resources to qualify as local RA capacity should take place *after* the study is completed.

B. The ISO’s Revision May Result in Reduced Local RA Capacity

As explained in the Six Cities’ opening brief, implementing a 20-minute availability requirement is problematic, because the margin between local capacity needs and the total resources available to provide local capacity is not wide enough to withstand the exclusion of significant local RA capacity. See Six Cities’ Opening Brief at 2. If the 20-minute requirement is intended to apply to non-fast starting resources, it takes away the ability of these resources to qualify as local RA, which may result in a gap between the need for local RA capacity and total resources eligible to meet that need.

The language quoted by the ISO at page 10 emphasizes this point – “[t]he number of [pre-contingency] dispatches . . . is anticipated to be orders of magnitude higher than” dispatches of fast starting resources. ISO Response at 10. If resources dispatched on a pre-contingency basis are dispatched *more* than those that qualify based on their ability to respond with sufficient speed, the ISO’s proposed language is all the more problematic. If dispatches from these non-fast starting resources are “anticipated to be orders of magnitude higher” than from fast starting resources, then rendering all non-fast starting resources ineligible to provide local RA capacity, as the sentence that begins “Accordingly” appears to do, creates a strong likelihood of insufficient RA capacity.

C. The ISO's Revision is Inappropriate for the BPM Change Management Process

The ISO's proposed language turns an assumption from the Local Capacity Technical Study into a requirement. Before the ISO proposed to add this language to the BPM, there was no requirement that local RA resources respond within 20 minutes; instead, this was merely a parameter used as part of the Local Capacity Technical Study. As a practical matter, it may be the case that the study uses a 20-minute availability assumption, but this assumption did not rise to the level of establishing a criterion for resources to qualify as local RA capacity. As noted in the Six Cities' opening brief, the language is actually placing new limits on resources to qualify as local RA. See Six Cities' Opening Brief at 2. The ISO's response to the appeals assumes that it is acceptable to morph a study assumption into a BPM requirement without vetting it through a stakeholder process.

Because this BPM revision places new limits on resources to qualify as local RA, the appropriate avenue for considering these revisions is in a formal stakeholder process. Therefore, the Six Cities believe, as described in their opening brief (see Six Cities' Opening Brief at 2), that the ISO should reject the PRR in favor of a formal, open, and transparent stakeholder process. If the ISO considers it necessary to translate its Local Capacity Technical Study assumptions into requirements, then the ISO should initiate a process to evaluate how those requirements should be determined and then articulate those requirements in a specific and clear manner that provides the information needed for entities to adequately assess whether they meet those requirements. Creating a new requirement is a fundamental change for which the BPM Change Management Process is inappropriate.

D. Conclusion and Relief Requested

In short, the ISO's proposed revision: (1) does not actually provide information as to which resources qualify as local capacity; (2) creates an unclear requirement; and (3) leaves LSEs guessing as to what resources qualify as local capacity. This is the very opposite of the clarification that the ISO claims to have provided in its response to the opening briefs.

In order to remedy the issue, the Six Cities request, at a minimum, that the ISO remove the "accordingly" sentence from the revision. This will rid the revision of the aforementioned internal inconsistency. It does not, however, remedy the issue of turning a study assumption into a requirement, nor does it provide the clarity needed for resources to determine whether they qualify as local RA capacity. Therefore, the Six Cities renew their request for the ISO to reject the PRR in favor of a formal, open, and transparent stakeholder process to determine with specificity and clarity the appropriate requirements for resources to qualify as local RA capacity.