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Holistic Review

May 30, 2018

A Holistic Review -- Context

- FERC Is Not Interested in Piecemeal Approaches
 - “The Commission ... encourages CAISO to propose a more comprehensive package of reforms...”
 - “We expect that any such proposal will recognize ... the need to strike a balance between CAISO’s backstop procurement authority and primary procurement of supply needed for resource adequacy purposes. (Docket 18-641)
- CPUC Does “Not Have a Plan” to Address Fragmentation
 - Green Book, cover letter from President Picker
- Nearly 2,000 MW Retained Using Backstop Mechanisms
- CAISO 2018 Summer Assessment
 - Over 1000 of the 2000 scenarios show at least 1 hour of Stage 2 shortages
 - No indications that the current scarcity is transient

Bottom line: A “Holistic” Review Must Consider RA

“Holistic” Concerns

- “Fragmentation”
 - Is there a way to ensure that fragmented actions add up to the whole reliability requirement?
 - At the same time, is there a way to flexibly move in and out of load positions?
- “Front-Running”
 - How can we avoid reliability designations before bilateral negotiations conclude?
- “Granularity”
 - How can we meet the sub-area local requirements as well as system and flex needs?
- “Runway”
 - How can we give resources sufficient time to make decisions on maintenance, staffing and / or shutdown?
- “Backstop Efficacy”
 - Is there really anything broken?

Incremental, But Effective Changes

- Require Annual RA showings on June 1
 - Requires upstream changes (TPP, LCR approvals, etc.)
 - Enforce local sub-area requirements
 - Consider flat-annual rather than monthly requirements
 - Include reliability-based, multi-year forward requirements
 - Enhance counting-rules applicability in tariff
- Perform Deficiency Auction by July 1
 - Use CPM CSP Auction to fill unmet needs or purposeful shorts
 - Make CSP bids and award acceptance mandatory
 - Cleared capacity is allocated to short positions
 - Require FERC-filed C-O-S bids to return energy margin
- Merge CPM RoR and RMR
 - Retain unilateral rights of CAISO to retain assets

Resolving “Holistic” Concerns

- “Fragmentation”
 - CAISO comprehensive review of submissions ensures that the sum = the whole
 - Deficiency review and CSP auctions (annual and monthly) could allow for load migration
- “Front-Running”
 - Early showings and multi-year commitments and mandatory CPM acceptance greatly reduce the need for CASIO to intervene
- “Granularity”
 - Sub-area requirements are enforced and capped at C-O-S
- “Runway”
 - July CSP decisions provide 5-6 months to prepare for maintenance, operation or shutdown
- “Backstop Efficacy”
 - There isn’t really anything broken that cannot be fixed with the proposal

All of this is within and could be enacted in the CAISO tariff.



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