



**Clarification to the
Reliability Must Run
Designation Process**

Issue Paper

August 10, 2021

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Clarification to the Reliability Must Run Designation Process Issue Paper

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1. Introduction

The purpose of this initiative is to clarify the Reliability Must Run (RMR) designation type (local or system) when more than one reliability reason for designation exists.

Per ISO Tariff – Appendix A, Reliability Must-Run Generation (RMR Generation) is defined as the “Generation that the ISO determines is required to be on line to meet Applicable Reliability Criteria requirements. This includes i) Generation constrained on line to meet NERC and WECC reliability criteria for interconnected systems operation; ii) Generation needed to meet Load demand in constrained areas; and iii) Generation needed to be operated to provide voltage or security support of the ISO or a local area.”

Tariff section 41.2 “Reliability Studies and Determination of RMR Status” specifies that in addition to the Local Capacity Technical Study under 40.3.1, the ISO may perform additional technical studies, as necessary, to ensure generators are retained for compliance with Reliability Criteria. Stakeholders have requested the ISO clarify the order and type of designation when more than one RMR designation need (local and system) exists.

1.1. Background

A Reliability Must-Run Contract is a contract entered into by the ISO with a resource owner that operates a Generating Unit or other resource giving the ISO the right to call on the Generating Unit or Resource to generate Energy, provide Ancillary Services, Black Start, Voltage Support or similar services to maintain the reliability of the ISO Controlled Grid.

The Reliability Must Run contract is in existence since ISO start-up and it evolved through time from being the main source of procuring local resources across the ISO footprint into being the back stop against resource retirement and/or mothball for those resources that are required in order to maintain reliability and compliance of the ISO controlled grid with all NERC, WECC and ISO reliability standards (local and system).

Since start-up the ISO always had resources under Reliability Must Run contract to maintain compliance with reliability standards in different local areas across its footprint. It was only starting this year when ISO denied retirement/mothball requests for system wide reliability needs. These needs include maintaining contingency reserve requirements per the BAL-002 reliability standards as well as unloaded capacity to meet operating needs per BAL-001 and BAL-003 reliability standards.

Reference for Tariff and business practice manual (BPM) as follows:

1. ISO Tariff section 41: <http://www.aiso.com/Documents/Section41-Procurement-RMRResources-asof-Sep28-2019.pdf>

2. Reliability Requirements BPM sections 12.1:

<https://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM%20for%20Reliability%20Requirements%20Version%2059.docx>

2. Issue Paper: Clarification to the Reliability Must Run Designation Process

Per ISO Tariff section 41.2 the ISO has the right at any time based upon ISO Controlled Grid technical analyses and studies to designate a Generating Unit or other resource as a Reliability Must-Run Resource. These ISO Controlled Grid technical analyses and studies include the need to provide Ancillary Services or other system wide reliability services.

The reliability need triggers the cost allocation as well as the resource adequacy credits allocation of the Reliability Must Run contract. Per ISO Tariff section 41.9 “the ISO will allocate Reliability Must-Run costs not recovered through market revenues to the Scheduling Coordinators for Load-Serving Entities that serve load in the TAC Area(s) in which the need for the RMR Contract arose”. Also per ISO Tariff section 41.8 “the ISO will provide Resource Adequacy credits to the Scheduling Coordinators of Load-Serving Entities that serve load in the applicable TAC Area(s) in which the need for the RMR Contract arose equal to the Load-Serving Entity’s pro rata share of the eligible net qualifying capacity of the RMR Resource”.

2.1. Primary reliability need

If there are multiple reliability needs, for example local and system, than the ISO must pick one as the primary reliability need that will trigger the designation and the Reliability Must Run contract.

Issues to consider when choosing the primary reliability need:

1. Historically, since start-up, the ISO only designated resources for local reliability needs and it currently considers it the primary reliability need any time it is binding.
2. The responsible utility, within the TAC areas bearing the RMR local costs, has the incentive to invest in the needed infrastructure to eliminate the local reliability need. The incentive to invest in infrastructure to address local issues that drive local designations can be maintained if local designation continues to be the primary reliability need. If the system need is considered the primary reliability need then the incentive to invest in infrastructure to address local issues is lost until the system reliability need is mitigated.
3. Once under a Reliability Must Run contract the resource can be used to mitigate all reliability needs both local and system and therefore all customers benefit from the resource. However, the customers located in the TAC areas where the local reliability need exists will benefit the most because the unit is required to meet local needs in their TAC areas as well as system needs and the customers outside of the TAC areas where the local reliability need exists do not get the local benefit.

4. Generally, per all CPUC Resource Adequacy reports, there is a premium paid for local resources. The “local” Resource Adequacy credits, given in the TAC areas where the local reliability problem exists, to any LSE paying for the Reliability Must Run contract, are more valuable to the LSEs with load in the same TAC areas where the local reliability exists. The same local credits will not be valuable for LSEs with load in other TAC areas (Example an LSE with load in SCE TAC area will have little to no use of local credits in PG&E TAC area).

5. If a system wide need is considered the primary need than all current local Reliability Must Run contracts will have to be designated and converted to system wide Reliability Must Run contracts (including cost and Resource Adequacy credit allocations) for as long as the system reliability need exists.

Other stakeholder proposed changes and improvements:

Please provide other suggestions related to the designation of a resource as Reliability Must Run.

3. Straw Proposal: Clarification to the Reliability Must Run Designation Process

The ISO intends to move forward with the clarification to the Reliability Must Run designation process in order to provide transparency and consistency in RMR designation when more than one reliability needs exist.

4. Stakeholder Engagement and EIM Governing Body Role

Stakeholder input is required in order to clarify the Reliability Must Run designation process. The schedule proposed below allows opportunity for stakeholder involvement and feedback.

This initiative will not require briefing to EIM Governing Body, because RMR status only applies to resources internal to the ISO with an executed Participating Generator Agreement (PGA) and a Generator Interconnection Agreement (GIA) (either 2-party or 3-party GIA). Clarifications to the Reliability Must Run designation process will need to be approved by the ISO Board of Governors before changes to the ISO Tariff need to be approved by the Federal Energy Regulatory Commission (FERC

4.1. Schedule

Table 3 lists the proposed schedule for the updates to the Clarification to the Reliability Must Run designation process.

Table 3: Schedule for Clarification to the Reliability Must Run designation process

Item	Date
Post Issue Paper	August 10, 2021
Stakeholder Call	August 17, 2021
Stakeholder Comments Due	August 31, 2021
Post Straw Proposal	September 21, 2021
Stakeholder Meeting	September 28, 2021
Stakeholder Comments Due	October 12, 2021
Post Final Proposal and Draft Tariff/BPM Language	November 2, 2021
Stakeholder Call	November 9, 2021
Stakeholder Comments Due	November 23, 2021
CAISO Board of Governors Meeting	December 14-15, 2021

The ISO proposes to present its proposal to the ISO Board of Governors on December 2021. The ISO is committed to providing many opportunities for stakeholder input into its market design, policy development, and implementation activities. Stakeholders should submit written comments through the ISO’s commenting tool.

4.2. Next Steps

The ISO will discuss the Issue Paper during the stakeholder call on August 17, 2021. The ISO requests stakeholders submit written comments in response to the Clarification to the Reliability Must Run designation process issue paper and stakeholder call by August 31, 2021.