



California ISO

Reliability Services Initiative – Phase 2:

Addendum to

Second Revised Draft Final Proposal

October 19, 2016

Table of Contents

1. Executive Summary.....	3
2. RA showing requirements for small LSEs.....	3
2.1 RA requirement exemption	3
Flexible RA requirement exemption	4
Local RA requirement exemption	4
2.2 Late showing penalty	4
System RA late showing penalty waiver	5
Flexible RA late showing penalty waiver.....	5
Local RA late showing penalty waiver.....	5

1. Executive Summary

This addendum to the second revised draft final proposal dated September 16, 2016 addresses stakeholders' requests to clarify the ISO's proposal for Resource Adequacy (RA) showing requirements for small load serving entities (LSEs), which was discussed in section 4.4 of the second revised draft final proposal. This addendum provides additional details on the proposal for showing requirements for LSEs, as some stakeholders felt that the September 16 discussion in the second revised draft final proposal was not totally clear in what the ISO was proposing. The ISO is not changing its proposal through this addendum. Rather, the ISO is providing additional text to clarify the proposal.

The ISO is proposing that LSEs whose flexible or local RA requirement is calculated to be less than one megawatt (MW) for all 12 months of the applicable RA compliance year will be considered to have an actual monthly flexible or local RA requirement of zero. Such LSE will not be required to submit a flexible or local RA showing. This change will better align the treatment of flexible and local RA requirements of less than one MW with the current treatment of system requirements of less than one MW. If an LSE does not have an RA requirement in a given month, the LSE will not have an obligation to submit an RA showing; the LSE will have no exposure to potential penalties for late submission of a showing because no showing is required.

2. RA showing requirements for small LSEs

2.1 RA requirement exemption

The ISO tariff currently exempts small LSEs from all RA requirements if their measured demand (*i.e.*, system RA requirement) for the previous year was less than one MW. This exemption is based on the challenge and cost associated with trying to procure less than one MW of capacity. However, currently, if a small LSE's calculated system requirement is over one MW, but its calculated flexible or local RA requirement is below one MW, the LSE is not exempt from flexible or local RA requirements and associated RA showings.

The ISO proposes to change the ISO tariff to treat calculated flexible and local RA requirements of less than one MW similarly to how it treats calculated system requirements of less than one MW. The ISO proposes that a LSEs whose flexible or local RA requirement is calculated to be less than one MW for all 12 months of the applicable RA compliance year will be considered to have an actual monthly flexible or local RA requirement of zero. Thus, the LSE will not be required to submit a flexible or local RA showing.

Flexible RA requirement exemption

There are three categories of flexible RA requirements: base ramping, peak ramping, and super-peak ramping. If an LSE has a contribution to the three-hour net load ramp¹ which is used to calculate flexible RA requirement, of less than one MW for all 12 months of the RA compliance year, then the LSE will be considered to have a zero flexible RA requirement for all 12 months of the year and will not be obligated to submit flexible RA showings in any category. However, if an LSE has a calculated contribution to the three-hour net load ramp of greater than one MW for any individual month, then the LSE will have an obligation to procure and show the flexible RA requirement for all 12 months.

For example, if an LSE's largest calculated contribution to the three-hour net load ramp in any month is 0.75 MW, it will be considered to have an actual monthly flexible RA requirement of zero, and as such, it will not be required to submit the flexible RA showing. On the other hand, if an LSE whose largest calculated contribution to the three-hour net load ramp in any month is 1.25 MW, it will be obligated to fulfill all three of its flexible RA requirements but will not be penalized for not showing the procured amount for months in which the calculated contribution to the three-hour net load ramp in a given month is less than one MW. This exception is explained further below.

Local RA requirement exemption

The ISO proposes to exempt an LSE from local showings if the LSE's local requirement is less than one MW in a Transmission Access Charge (TAC) area. For example, if an LSE has a local requirement of 0.75 MW in TAC area A and 1.25 MW in TAC area B, it would be required to procure 1.25 MW of local RA resources in TAC area B and include that capacity in an RA showing, but the LSE would not be required to procure or show any local RA in TAC area A.

2.2 Late showing penalty

As illustrated in the examples above, an LSE may have a flexible, local, or system RA requirement over one MW in one month and be under one MW for the rest of the 11 months of the RA compliance year.

Although an LSE will not be exposed to the potential for a penalty for failing to submit a monthly RA showing for the months in which its requirement is less than one MW, the ISO will not exempt the LSE from its RA requirements where such requirements still apply. The ISO will notify an LSE of the RA deficiency and provide it with the opportunity to cure the deficiency, just as the ISO does today. If the LSE does not cure the deficiency and the ISO exercises its backstop authority, the LSE will be subject to cost allocation for capacity procured.

¹ As an example, an LSE's total flexible capacity requirement is made up of the LSE's forecasted contribution to the three hour net load ramp and the LSE's share of max of the 3.5 percent expected peak load or the most severe single contingency. An LSE will be exempt if the first of these components is less than one MW.

System RA late showing penalty waiver

If an LSE's system RA requirement is less than one MW in a given month, it will not be required to show RA capacity for that month. However, if the ISO determines that there is a deficiency in the total amount of system RA capacity shown versus what is needed for that month, the ISO will look to the LSE(s) that had a system requirement and did not show capacity to meet it to show sufficient capacity in a revised showing before the ISO consider any backstop procurement.

Flexible RA late showing penalty waiver

If an LSE's contribution to the maximum three hour net load ramps is less than one MW in a given month, it will not be required to show RA capacity for that month. However, if the ISO determines that there is a deficiency in the total amount of flexible RA capacity shown versus what is needed for that month, the ISO will look to the LSE(s) that had a system requirement and did not show capacity to meet it to show sufficient capacity in a revised showing before the ISO consider any backstop procurement.

Local RA late showing penalty waiver

If an LSE has a local showing that is less than one MW in a given month, it will not be required to show RA capacity for those months. For example, if in the month of July an LSE's local requirement in TAC area A is 1.25 MW and 0.5 MW for the rest of the 11 months of the year, the LSE has an RA obligation for each month, as noted above, and is required to meet the obligation for all 12 months, but will not be assessed a late showing penalty if it does not show the 0.5 MW for the 11 months.

However, if while validating local RA showings, the ISO identifies a deficiency, the LSE in the example above would not be exempt from its requirement for TAC area A and would be treated similar to the example described above for flexible requirements.