

**Comments of the
Balancing Authority of Northern California**

California ISO Draft Final Proposal
Reliability Coordinator Services

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The Balancing Authority of Northern California provides these comments on the California ISO's Reliability Coordinator Rate Design, Terms and Conditions Draft Final Proposal dated June 20, 2018 ("Draft Final Proposal").

General Comments

BANC appreciates the efforts of the CAISO to respond to comments and fashion the RC services option in a manner that meets the needs of its customers. Many of those key term of service will be included in documents still under development, including the pro forma Reliability Services Coordinator Services Agreement ("RCSA). As we understand the process, the CAISO will develop and distribute the proposed RCSA, and tariff language, on July 18th. Many of the issues on which BANC is interested are likely to be contained or affected by provisions in the Tariff and RCSA, and these comments should be read accordingly.

Penalty Assessment

In its initial Comments, BANC urged the CAISO to reconsider its proposal to utilize the existing Tariff provisions to allocate reliability standard penalty assessments. BANC still believes work is needed in this area. FERC's guidance in this area is focused on concerns raised by commenters that simply allowing *pro rata* passthrough of penalties would blunt incentives to avoid compliance obligations. (Order Providing Guidance on Recover of Reliability Penalty Costs by Regional Transmission Organizations and Independent System Operators, 122 FERC P61,247 (2008)). It is not clear, however, that the exact formulation contained in the Tariff is what is required by FERC. Both the CAISO and the RC customers would benefit from an examination of the application of the Tariff to instances in which it is an RC-applicable standard that is violated, rather than a generic concept of any standard violation, that is difficult to grasp. BANC believes the Tariff language contained in Section 14.7 must be considered in the overall consideration of RC tariff provisions when that phase of the stakeholder process kicks off later this month.

Rates for RC Services

RC Customers appreciate the efforts of the CAISO to craft cost-effective RC services by leveraging the investment in systems, plant, and personnel for overall market operations. The

changes in staffing and cost estimates since this process kicked off earlier this year show that this effort involves a learning curve for all involved on what will be required for the provision of RC services. BANC asks that the CAISO consider some measures for durability of cost exposure for RC customers, while recognizing that the CAISO must protect its ability to collect just and reasonable and prudently incurred costs.

The CAISO has linked the revenue requirement for RC services to its overall budget and budget process. BANC recognizes therefore that the imposition of a “hard cap” on RC services costs may be difficult to reconcile with the overall budget process. However, the CAISO has in the past with respect to its overall budget agreed to a “soft cap,” adopted for its overall revenue requirement. BANC urges the CAISO to consider a similar approach for the RC services revenue requirement. As the CAISO has agreed to with respect to its overall revenue requirement, the CAISO would be required to seek approval from FERC if it wanted to exceed a revenue requirement for the RC Services component of their overall revenue requirement formula. This approach balances the need for cost certainty for the RC customers, while recognizing the budget realities of the CAISO.

Onboarding and Customer Risk

It cannot be denied that the current a schedule for onboarding of RC customers places risk on RC customers if any number of issues arise, whether driven by the WECC and NERC certification process, or by unanticipated systems implementation issues. This concern is intensified as uncertainty looms about the number and exact footprint that will be encompassed, and the continued viability of the Peak RC as many Funding Parties seek alternative RC services.

The CAISO and RC customers have set up a Steering Committee and underlying working groups to tackle implementation issues, and to aid communication. These communications are in large part appropriately covered by confidentiality agreements. The CAISO must unequivocally commit to total transparency on all matters related to implementation and onboarding, including detailed information on the progress of certification efforts with WECC and NERC (including consideration of direct involvement with those entities by RC customers), systems implementation progress, and the development of “Plan B” options if expected progress on any of these issues is not realized.