



Reliability Coordinator Services

Rate Design, Terms and Conditions Straw Proposal

Company	Contact Person	Date Submitted
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The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the CAISO's reliability coordinator services rate design, terms and conditions straw proposal. BPA is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. BPA currently supplies 30 percent of the power consumed in the Northwest. BPA also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. BPA is registered as a Balancing Authority (BA) and Transmission Operator (TOP).

Comment: General. BPA appreciates the time and effort that the CAISO has spent in crafting its straw proposal. While more work must be done, this represents a starting point that BPA, CAISO, and other interested participants can further build on. Given that this proposal is still in its initial stages, BPA submits these comments with the understanding that the CAISO's reliability coordinator proposal will likely evolve over time and this may lead BPA to submit additional comments and requests for clarification. The primary purpose of the CAISO's process should be to maintain reliability in the western interconnection in light of industry changes that may result in multiple reliability coordinators.



Comment: Scope of Services. BPA recommends that the CAISO more fully develop and describe its reliability coordinator services, including supplemental services. A higher degree of clarity is needed to ensure that each participant knows what services the CAISO will and will not provide prior to making a decision on the reliability coordinator. In addition, more detail regarding the scope of services is needed to ensure that the cost estimates and rate design proposed by the CAISO are reasonable and stable.

To further develop and refine its reliability coordinator proposal, the CAISO should utilize the RC Project Steering Committee and its working groups to ensure that each participant's needs are being met to the greatest extent possible. Also, the CAISO should share any existing analysis of its scope of service, cost estimates, and rate design with the RC Project Steering Committee. In addition, the CAISO should benchmark the type and level of reliability coordinator provider services provided by other ISOs/RTOs, including the costs and number of employees involved in providing such services. This sort of benchmarking should be reported to the RC Project Steering Committee and used as a baseline to ensure that the CAISO's proposal has adequate detail and reasonable cost assumptions. Finally, the CAISO should analyze the costs and potential benefits of geographic diversity in its location of control centers and share such analysis with the RC Project Steering Committee.

Comment: RC Project Steering Committee. The RC Project Steering Committee should strive to achieve consensus throughout this process. If a consensus cannot be achieved, then the majority and minority positions should be fully vetted and documented in an attempt to resolve the issue. If the issue cannot be resolved, BPA recommends that existing processes continued to be used. BPA agrees that the CAISO should follow the recommendations of the RC Project Steering Committee, but that the CAISO should inform the RC Project Steering Committee of its rationale when it does not follow recommendations and work with the committee to resolve any differences.

BPA recommends that the CAISO clarify how the RC Project Steering Committee and the long-term oversight committee will interact, including how and when the transition between these two oversight bodies will occur.

The reliability coordinator implementation project schedule and service quality is critical to entities interested in procuring such services from the CAISO. As such, BPA recommends that the CAISO contract with a third party quality assurance consultant to observe and track all elements of the project. This consultant would report directly to the RC Project Steering Committee. Selection of the consultant would be accomplished by a Request for Proposal process developed by the CAISO and approved by a task force



appointed by the RC Project Steering Committee. The RC Project Steering Committee appointed task force, along with the CAISO, would approve the consultant selected.

Comment: CAISO's Performance of Reliability Coordinator Services. To the greatest extent possible, the CAISO should consider having designated reliability coordinator operators that are separate and apart from the CAISO's functions as a balancing authority, transmission operator, and market operator. This separation of functions would ensure that the CAISO is not providing preferential treatment to itself, and demonstrates that the CAISO's reliability coordinator function will resolve issues among balancing authorities fairly and reliably.

The CAISO, in conjunction with the participants in this process, should also establish an independent body that resolves issues regarding how the CAISO provides reliability coordinator services. This independent body should have the ability to modify how the CAISO performs its reliability coordinator function.

Comment: Reliability Coordinator Governance. The proposed governance framework for the CAISO's reliability coordination function needs to be addressed up front so that entities can consider how decisions will be made and who will be making them. Independent governance of the CAISO's reliability coordinator function is appropriate because the CAISO Board of Governors is currently appointed by the governor of California and, as such, is not representative of an expanded reliability coordinator footprint. BPA encourages the CAISO to work with the RC Project Steering Committee to select an appropriate governance structure as soon as possible.

Comment: Reliability Coordinator Service Agreement. The CAISO should provide more explanation for why it intends to file the reliability coordinator services agreement with FERC and how participating transmission owners inside the CAISO balancing authority will be bound by the same terms and conditions as the other participants. The CAISO should also clarify that the terms and conditions of its reliability coordinator services would be wholly contained in the service agreement, whereas the rates it would charge for such services would be found in its tariff. If this is not the case, the CAISO should offer further explanation.

Without seeing the proposed agreement or tariff language, BPA cannot offer very many substantive comments. For this reason, it is critical for BPA to receive a draft as soon as possible. However, BPA, as a federal agency, has unique contractual provisions in Attachment C to the existing funding agreement with Peak. As a signatory to that agreement, the CAISO should be able to review these provisions, which, among other things, require BPA to make payments in accordance with the Prompt Payment Act,



including dictating how late payments are handled. These provisions must be included in any reliability coordinator services agreement it signs with the CAISO.

Comment: Onboarding. There should be a single implementation date for participants that initially agree to take reliability coordinator services from the CAISO. This date should reflect when all such participants are ready and able to take reliability coordinator services from the CAISO, and should be no earlier than January 1, 2020. January 1, 2020 is the effective date of many entities' revocable notice of withdrawal from Peak. Ensuring a common date for all interested participants will help make the transition to the CAISO as seamless as possible. Onboarding should also include a transition plan among the CAISO, Peak, and any other reliability coordinators in the western interconnection to ensure that all balancing authorities and transmission operators have a reliability coordinator and that reliability is maintained at all times.

Comment: Exit Provision. Entities that no longer wish to take reliability coordinator services from the CAISO should provide 12 months' advance written notice, not six months. This will provide greater cost stability and reliability to other participants. Furthermore, entities should only be able to provide notice of withdrawal at specified times during the year, such as one date in the spring and another in the fall. These times should align with times that new participants may begin to take reliability coordinator services from the CAISO.

Comment: Funding Requirement and Rate Design. To ensure there is cost stability in the long-term, the CAISO should place a cap on year-over-year increases. This cap should be no greater than 3 to 5 percent and should only be exceeded upon the approval of RC participants.

The CAISO should explain how it calculated its minimum charge and why it proposes to set the cap for its reserve amount at 10 percent of its annual reliability coordinator budget. Without further explanation, the reserve amount appears to be too high and should be lowered to 5 percent.

Comment: FERC/NERC/WECC Financial Penalties. BPA supports the CAISO's proposal to pay any penalties that it may be assessed from FERC, NERC, or WECC in connection with its provision of reliability coordinator services from a reserve fund. BPA, however, will have to evaluate the specific tariff language proposed by the CAISO. BPA understands that the reserve fund will not be used to pay any penalties or expenses associated with the CAISO's other functions. Also the CAISO executive team should be held accountable for any penalties that the CAISO's reliability coordinator function incurs and such penalties should impact executive compensation.



BPA does not support CAISO's proposal that would allow it to directly allocate financial penalties to federal agencies. Federal agencies, like BPA, are not subject to financial penalties under section 215 of the Federal Power Act. *Southwestern Power Admin. v. Fed. Reg. Comm'n*, 763 F.3d 2, (D.C. Cir. 2014). Under the CAISO's proposal, however, WECC or NERC could find that BPA's actions caused the CAISO to violate a NERC reliability standard and the CAISO could ask FERC to allocate that penalty to BPA. If that were to occur, FERC would be assessing a financial penalty to BPA, even though federal law prevents FERC from doing so.

Comment: Billing. BPA does not support the CAISO's proposal to calculate net energy for load (NEL) every month and submit that value to the CAISO. BPA does not perform this task on a monthly basis today and it would lead to additional and unnecessary workload. Instead the CAISO should use yearly NEL values, similar to what is done today.

BPA understands that other participants are proposing to be billed for reliability coordinator services annually or quarterly. Such proposals would likely involve a participant paying for reliability coordinator services in advance of receiving them. Although BPA does not oppose such proposals in general, federal law limits BPA's ability to enter into contracts which require it to pay in advance of services rendered. 31 U.S.C. § 3324. Therefore, if the CAISO adopts the participants' proposal, BPA would seek an exception to allow it to be billed monthly. Per Attachment C of the Peak funding agreement, such an exception would reflect current practice.

The CAISO should allow participants up to 21 days to pay an invoice, not five days. Five days is not enough time to validate and process the invoice. The CAISO should work with the RC Project Steering Committee to develop a process if an entity does not pay within 21 days. The CAISO's proposal to have the option to suspend reliability coordinator services if an entity does not pay within 20 days is too harsh and may negatively impact reliability.

Finally, if a quarterly adjustment results in participants receiving money back from the CAISO, the CAISO should specify the interest rate that the participants would receive. If a quarterly adjustment results in participants paying an additional amount of money to the CAISO, the CAISO should specify how such amounts would be collected.