

## Comments on CAISO's Commitment Cost Enhancements Phase 3 Revised Straw Proposal

November 23, 2015

On November 3, 2015, CAISO posted the Commitment Cost Enhancements Phase 3 (CCE Ph3) Revised Straw Proposal, followed by a stakeholder call on November 9, 2015 to discuss the Revised Straw Proposal. California Department of Water Resources State Water Project (CDWR) appreciates the opportunity to submit comments.

### Summary of Revised Scope:

Due to FERC's rejection of CAISO's proposed changes to the definition of Use-Limited Resources (ULRs) in the Commitment Cost Enhancements Phase 2 (CCE Ph2), the Commitment Cost Enhancements Phase 3 (CCE Ph3) scope has been modified to add the ULR definition revisions. In the CCE Ph2 proposal Hydro-resources, Participating Load, RDRR and PDR was to remain use-limited per the CAISO Tariff, however in the CCE Ph3 CAISO is removing the subset of resources that are use-limited by default in order to redefine ULRs to focus on the eligibility for opportunity costs in order to optimize use-limited resources. Hydro-resources, Participating Load, PDR and RDRR will be exempt from bid-insertion as part of the Reliability Services Initiative.

### Comments:

#### *Treatment of resources currently deemed Use-Limited by the Tariff*

CDWR understands that CAISO's revision of the ULR definition to focus on opportunity cost eligibility aims to increase the price signals and expand the pool of resources for CAISO dispatch, however CDWR has many environmental constraints on its ULR, and actual flexibility often presents itself within an operating day. In order to avoid disrupting the functions of the State Water Project, CDWR requests that CAISO retain the default use-limited status for resources that are currently deemed use-limited by the Tariff and allow these resources to remain on the registered cost option until all negotiated opportunity costs have been reviewed and approved. If CAISO's intent is to have greater price sensitive dispatch options, then ULRs like CDWR's participating loads should have access to the real-time market, so that when flexibility arises within the operating day, CDWR could provide offers to CAISO through real-time market bids for CAISO to optimize. Although CDWR's resources will likely qualify for use-limited status, CDWR is not certain that the current registration process will fit CDWR's resources. The reason is that CDWR's generation resources and pumps are subject to water demand from state water contractors, weather conditions, regulatory requirements and restrictions, operational limitations of pumps and the aqueduct, and hydraulic linkage. Therefore, CDWR requests CAISO recognize the CDWR water delivery system as a whole as use-limited and hence simplify the process of registration requirement without having to submit individual data on a per plant basis. Further, CDWR suggests CAISO provide full real-time market access to ULRs like participating loads, so that the flexibility that CAISO needs can be realized within the ULR's constraints.

# California Department of Water Resources State Water Project

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## *Initiation of Registration Process and Negotiated Opportunity Costs*

The CCE Ph3 initiative was delayed due to FERC's rejection of the proposed Tariff revisions to the ULR definition in CCE Ph2, but the proposed implementation date of CCE Ph3 has not changed. CAISO is proposing to implement CCE Ph3 in Fall 2016, with a January 1, 2017 effective date for opportunity costs. Resources must have their registration and opportunity cost negotiations completed prior to the effective date. It is unreasonable to require Scheduling Coordinators to proceed with the CCE Ph3 changes in anticipation of unapproved Tariff revisions. CCE Ph3 is scheduled to be presented to the CAISO Board of Governors (BOG) in March 2016. Assuming the BOG approves CAISO staff recommendations, CAISO will still need to publish draft tariff language, proceed with filing the tariff revisions with FERC, and await FERC approval. This timeline doesn't allow sufficient time for resources that would have to register for use-limited status for the first time. CDWR suggests that CAISO revise the implementation date to Spring or Fall 2017 or another prudent timeframe following an approved FERC order.