

## Subject: Reliability Services Initiative Phase 2 Technical Working Group Meeting

Submitted by	Company	Date Submitted
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The CPUC Energy Division staff appreciates the opportunity to comment on the California Independent System Operator (CAISO) Reliability Services Initiative Phase 2 Technical Working Group Meeting and the material presented on June 13, 2017.

First, Energy Division staff appreciates that CAISO has proposed removing the language regarding tariff violations. Second, as indicated previously in April 18, 2017 comments, Energy Division staff continue to believe that CAISO’s proposed tariff changes regarding “listed” local resources do not address potential leaning and reliability issues. Third, Energy Division staff recommends that CAISO remove or revise Section 40.10.2.3 because the proposed tariff language has confused the issue of flexible CPM allocation and allocation of flexible requirements.

In its “Draft Final Proposal Addendum – Reliability Services,” approved by the Board, CAISO proposed developing a method for allocating CPM (capacity procurement mechanism) capacity. The CAISO specifically stated:

### 10.4.7. Flexible CPM allocation methodology

If the ISO does not receive a flexible CPM allocation methodology that allocates 100% of the LRA’s flexible RA requirement by the deadline published in the Reliability Requirements BPM, the ISO will use the ISOs flexible CPM default allocation. The ISO proposes this to address a gap in the current policy that could potentially lead to unallocated CPM capacity.

The language in the Board approved proposal only addressed a default methodology for allocation of CPM (or back-stop) capacity but in its tariff amendments, CAISO confused and/or expanded this section to apply to use a default allocation mechanism for flexible capacity *requirements, not “unallocated CPM capacity.”* CAISO’s proposed tariff is shown below:

### **40.10.2.3 Default Allocation Methodology**

If a Local Regulatory Authority does not provide to the CAISO by the deadline established in the relevant Business Practice Manual a methodology for allocating 100% of the Local Regulatory Authority's flexible RA requirement, as determined pursuant to Section 40.10.2, to the Load Serving Entities under the Local Regulatory Authority's jurisdiction, then the CAISO will utilize the CAISO default allocation methodology. The CAISO default allocation methodology is the same methodology as defined in 40.10.1 with two exceptions: (1) the CAISO will perform the allocation for each LSE within the LRA; and (2) if a LSE's contribution to the three-hour net load ramp is less than 1 MW in all 12 months of a calendar year, then the CAISO will allocate 0 MW to that LSE for all 12 months of that year.

Accordingly, Energy Division recommends that CAISO either remove this section or revise it to be consistent with the Board approved draft final proposal and narrowly tailor this section to only address allocation of flexible CPM capacity/costs.