California ISO

March 7, 2018

# Response to Stakeholder Comments on Revised Draft Tariff Language
# Commitment Costs Enhancements Phase 3

| Tariff Section | Stakeholder Comment | ISO Response |
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| 4.6.4 | Pacific Gas and Electric Company (PG&E) comments that it continues to stress that the ISO should clarify what situations (e.g., Exceptional Dispatches, Emergency Events, etc.) qualify as deviating from “normal market operations” and allow for the ISO to utilize “design” Master File values rather than the alternative values that the ISO will default to otherwise. | The ISO has clarified the section to state that it will utilize any market values registered by a scheduling coordinator for a resource during market operations, and that the ISO may issue exceptional dispatch instructions pursuant to tariff section 34.11 based on a resource’s design capability. |
| 4.6.4 | Southern California Edison Company comments that it has raised the issue of the Resource Data Template (RDT) attribute reporting responsibilities being appropriately divided between Load Serving Entities’ (LSEs) Scheduling Coordinators (SCs) and Generator Owners for market versus physical attributes, respectively. SCE states that this is necessary in order to implement the ISO’s directives to utilize the physical characteristics of the resource under contingency circumstances while utilizing economic attributes during non-contingency circumstances. SCE urges that this element must be addressed immediately within the Commitment Costs Enhancements Phase 3 (CCE3) proposed tariff revisions as a prerequisite to carry out an effective market design. | The ISO notes that section 4.6.4 imposes the obligation on participating generators to provide information concerning the physical capabilities of the resource and, with CCE3, the design capabilities of the resource.<br><br>The ISO has added language to section 4.6.4 clarifying that scheduling coordinators can register market values in the Master File.<br><br>The ISO recognizes that that scheduling coordinators provide information to the ISO as agents for the resources they represent and may not have a separate means for resource owners to provide information to the ISO. The ISO will look into the feasibility of a possible system change. |

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| 30.4.1.1.6.1.1 | PG&E comments and requests that the ISO should re-examine language qualifying contractual limitations, specifically the lines<br><br>*(ii) were evaluated by the Local Regulatory Authority CPUC for the cost implications of the limitations on such resources' numbers of starts, number of run-hours, or Energy output. Contracts limits that provide for higher payments when start-up, run-hour, or Energy output thresholds are exceeded are not qualifying contractual limitations.*<br><br>PG&E asserts that this language suggests that the CPUC specifically evaluated the "cost implications *of the limitations.*" PG&E further comments that in reality, the CPUC evaluated the cost implications of the contracts packaged in their entireties, each of which reflected tradeoffs in terms of number of starts allowed and total cost. PG&E proposes that the tariff language should reflect the distinction and use the original language from the Draft Final Proposal on page 18 as follows:<br><br>*Conventional resources that, as of January 1, 2015, are on an original long-term contract individually reviewed and approved through a comprehensive regulatory process as a new build which evaluated cost implications on rate payers with a limitation on starts, run-hours, or output, will be eligible for an opportunity cost* | The ISO has re-examined the draft tariff language and has modified it in an effort to address PG&E"s comments. |

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| | *reflective of such limitation, provided sufficient supporting documentation is provided, for up to three years following the effectiveness date of opportunity costs as determined through CCE3.* | |
| 30.4.1.1.6.1.2 | The Six Cities request that the ISO correct a typographical error so that the tariff language correctly reads "resulting methodology" rather than "resulting mythology". | The ISO has made this correction. |
| 30.4.1.1.6.2.2 | PG&E comments that it agrees with the Six Cities' comment on the initial draft tariff language that the ISO's treatment of the reserve margin for use limitations seems inconsistent with that approved during the Policy phase of this initiative. PG&E further comments that it believes that, per Policy, the ten percent margin should apply for each limitation rather than only one "most like to be reached." PG&E also notes that the ISO's Business Requirements Specification document suggests only applying the ten percent margin to starts specifically. PG&E states that it likewise fees that this approach is consistent with Policy.<br><br>PG&E asserts that maintaining the treatment from Policy is important since prices are based on incremental energy cost above PMins, and not on total energy cost. PG&E explains that this means that a plant's profit maximizing dispatch (especially for a thermal resource with a higher PMin) is likely to not match the ISO's dispatch and will likely run more in reality (i.e., more startups, more run hours, more total | The ISO has modified the tariff language to be consistent with the draft final proposal's intent, which is that the ISO would provide an appropriate margin in the limitations it uses to calculate a resource's opportunity cost to help ensure that the resource does not exhaust its limited starts, run hours, or energy production before the end of the applicable period.<br><br>Based on implementation cost and complexity considerations, the system the CAISO will use to calculate opportunity costs will have the ability to apply the margin either to all of a resource's modeled limitations or to a subset of the limitations. However, it will not have the ability to run multiple base cases in which it would apply a margin to each limitation in separate base case runs for each of a resource's limitations. (The base case is the reference point from which the ISO calculates a resource's opportunity cost by reducing a modeled limitation by one unit, *i.e.*, start, run hour, energy MWh.) Consequently, the ISO proposes to calculate base cases by applying the margin to all of a resource's limitations in a single base case. If this produces anomalous results for a resource, the ISO would calculate the resource's base |

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| | energy) than it would if it only ran its profit-maximizing dispatch. PG&E further explains that if a plant's profit maximizing dispatch matched the ISO's dispatch, there would be no need for bid cost recovery; however, as many plants do receive bid cost recovery, it is important to represent that the model's output for run hours/energy/starts may be less than actual. PG&E comments that if opportunity costs are too low, that may mean the plant will burn through its limitations early on in the year as opposed to when it is needed more later on in the year. | case in subsequent runs by only applying the margin to the limitation that was likely to bind over applicable period.<br><br>Because the specific details of the methodology with which the ISO will model limitations consistent with the draft final proposal's intent may evolve as the ISO gains experience with its opportunity cost model, the CAISO proposes to specify these details in the applicable business practice manual. The ISO also will need experience with the opportunity cost model to determine the exact value of the limitation margin. This value should fulfill the draft final proposal's intent of accurate opportunity costs with a reasonable margin in the modeled limitations that will help ensure resources do not exhaust their starts, run hours, or energy production before the end of the applicable period. Consequently, the CAISO proposes to specify this margin in the applicable business practice manual. The ISO intends to set this value initially at 10%. |
| 39.7.1.1 | The Six Cities proposes that the ISO correct a typographical error so that the tariff language correctly reads "any" rather than "anny". | The ISO has made this correction. |