

# Stakeholder Comments Template

## Black Start and System Restoration Phase 2

### February 14, 2017 Straw Proposal

Submitted by	Company	Date Submitted
Paul Shepard (213) 830-2220 Andy Brown (916) 447-2166	Diamond Generating	February 28, 2017

The ISO provides this template for submission of stakeholder comments on the February 14, 2017 issue paper and the discussion at the February 21 stakeholder call. The straw proposal, presentation and other information related to this initiative may be found at:

[http://www.caiso.com/informed/Pages/StakeholderProcesses/Blackstart\\_SystemRestorationPhase2.aspx](http://www.caiso.com/informed/Pages/StakeholderProcesses/Blackstart_SystemRestorationPhase2.aspx)

Upon completion of this template please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **February 28, 2017**.

### Straw Proposal

1. Please comment on the RFP six step procurement process identified in the straw proposal for incremental black start resources:

The six steps on page 6 outline a reasonable process for securing black start capabilities through a competitive mechanism. We would recommend that part of step 1 include a discussion of draft technical specifications and comment opportunity. This would provide potential bidders an early opportunity to provide feedback questions on the service sought and gain clarity before the RFP competition begins.

2. Please comment on the ISO's proposal for compensation and cost allocation. Specifically, on whether the use of a transmission owner's reliability services rate schedule is an appropriate cost recovery.

A cost of service rate approach for compensation that is fully compensatory for the incremental black start service is appropriate in light of the constrained market for the services, provided that it includes recovery of fixed and variable costs and a reasonable return on investment. Use of the PTO reliability services tariff is appropriate where the

breadth of benefit from provision of the service is arguably limited to that PTO's footprint.

3. Please comment on the categories of costs the ISO should consider in connection with procuring incremental black start capability.

All incremental costs associated with establishing and maintaining the black start capability, including fixed costs, capital cost, variable costs (O&M, operating), administrative & general that is assignable to the service, including legal/compliance, plus return, should be included in payments.

4. Please comment on the appropriate term for any contract to secure additional black start capability.

The proposal for a multi-year initial term followed by annual ever-greening subject to a forward notice period to terminate is appropriate.

5. Please also comment on whether any selection criteria should assess the likelihood that a resource will operate for the duration of the black start agreement.

Under the hybrid market structure used in California, non-utility owned resources under term PPAs do not have a regularized process for securing a follow-on PPA. The CPUC should be working on such a process to ensure the availability of dispatchable capacity in the current IRP proceedings. Moreover, the markets operated by CAISO have never been sufficiently compensatory to support merchant operation, and therefore continued reliance of bilateral contracting is anticipated to continue. This market structure deficiency creates market power for UOG resources to the extent they do not wear the risk of having a shorter "term" commercial commitment. For contracted resources that do not have life-of-asset commitments, there will always be a potential exposure to inefficient, early retirement if there continues to be no opportunity to recontract beyond the existing one-year forward RA compliance period. Accordingly, we do not believe that the duration of an existing resource's commercial commitment should be determinative; rather, eligibility should turn on the ability to provide the desired product / service in addition to the technical specifications required to meet the system need for black start.