



California ISO

# **Temporary Suspension of Resource Operations**

## **Issue Paper**

**May 10, 2017**

**Market & Infrastructure Policy**

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## 1. Executive Summary

The California Independent System Operator (CAISO) committed to hold a stakeholder process in 2017 to explore opportunities to accommodate a resource owner taking a resource out of service for an extended period of time when the resource owner believes that economic conditions cannot support its continued operation.<sup>1</sup> This issue paper introduces a new initiative called “Temporary Suspension of Resource Operations” where this issue will be explored.<sup>2</sup>

This initiative will consider the conditions under which the CAISO may permit a resource owner to take a resource temporarily out of service for non-physical reasons, including for economic reasons, and what form of compensation, if any, the CAISO would provide if it denies a resource owner’s request to take its resource out of service for non-physical reasons. This initiative will explore how permitting temporary suspensions of operations would interact with other requirements of the CAISO tariff, contracts, grid, and market operations.

This issue paper initiates the stakeholder process. It describes the plan for stakeholder engagement, the background and scope of the initiative, and issues identified thus far.

## 2. Plan for Stakeholder Engagement

The schedule for this stakeholder initiative is presented in Table 1 below.

**Table 1 – Schedule for this Stakeholder Initiative**

| Date        | Milestone  |
|-------------|--|
| May 4, 2017 | Issue market notice announcing this new initiative |
| May 10      | Post issue paper                                   |
| May 19      | Hold stakeholder call                              |
| May 30      | Stakeholder written comments due                   |
| Jun 21      | Post straw proposal                                |
| Jun 28      | Hold stakeholder call                              |
| Jul 13      | Stakeholder written comments due                   |
| Aug 9       | Post revised straw proposal                        |
| Aug 16      | Hold stakeholder call                              |
| Aug 29      | Stakeholder written comments due                   |
| Sep 11      | Post draft final proposal                          |
| Sep 18      | Hold stakeholder meeting                           |
| Oct 2       | Stakeholder written comments due                   |
| Nov 1-2     | Present proposal to CAISO Board                    |

<sup>1</sup> The CAISO made this commitment to the Federal Energy Regulatory Commission (FERC) in response to the June 17, 2016 complaint filed by the La Paloma Generating Company related to the CAISO’s denial of an outage La Paloma proposed for economic reasons.

<sup>2</sup> In the 2017 Stakeholder Initiatives Catalog, this effort was titled “Economic and Maintenance Outages,” but the name has been changed to “Temporary Suspension of Resource Operations” to better reflect the nature of the initiative.

The CAISO plans to present its proposal to the CAISO Board of Governors for their approval at their meeting on November 1-2, 2017.

### 3. Background and Scope of Initiative

#### 3.1. Background

This initiative will consider the circumstances under which the CAISO may permit a resource owner to temporarily suspend operation of its resource for economic reasons and what form of compensation, if any, the CAISO should provide if it denies a resource owner's request for a temporary suspension of operations. The initiative will assess how potentially allowing this type of resource status change would interact with other requirements of the CAISO tariff, contracts, and with grid and market operations.

The CAISO's existing Business Practice Manual ("BPM") for Generator Management contemplates that resource owners can mothball their units, but does not address the above-noted topics in significant detail and in particular does not consider compensation issues. This initiative is meant to provide stakeholders an opportunity to consider those topics in greater detail, as well as what potential changes to current CAISO practice need to be addressed through a FERC filing to implement new tariff provisions.

The CAISO committed to this stakeholder initiative during the FERC process related to a now-denied complaint the La Paloma Generating Company filed against the CAISO.<sup>3</sup> As described in the relevant FERC order, in May 2016, La Paloma submitted multi-month outage requests to the CAISO for several units because La Paloma did not anticipate that the continued operation of those units would be economic. The CAISO denied the requests because they were based on economic, rather than physical reasons, and thus did not represent an appropriate use of the outage management system as allowed by the CAISO tariff. On June 17, 2016, La Paloma filed a complaint against the CAISO at FERC related to the CAISO's denial of the requested outages. FERC ruled that the CAISO's denial of the outages was reasonable because "based on the most reasonable construction of the tariff, the only permissible reasons for seeking an outage from CAISO include planned maintenance, new construction, or other work. The tariff thus does not permit CAISO to grant requests for outages for economic reasons, such as those at issue here."<sup>4</sup>

During the FERC process, several intervening parties suggested that FERC order the CAISO to revise its tariff to allow for outages based on economic consideration and/or provide capacity procurement mechanism designation if the CAISO denies an outage request (at least in the case of non-resource adequacy capacity). The CAISO explained that La Paloma's complaint proceeding was not the appropriate venue to consider those issues, but the CAISO agreed

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<sup>3</sup> *La Paloma Generating Co., LLC v. Cal Indep. Sys. Operator Corp.*, 157 FERC ¶ 61,002 (2016) (Order Denying Complaint). Available at: [http://www.caiso.com/Documents/Oct3\\_2016\\_OrderDenyingLaPalomaComplaint\\_EL16-88.pdf](http://www.caiso.com/Documents/Oct3_2016_OrderDenyingLaPalomaComplaint_EL16-88.pdf).

<sup>4</sup> *Id.* at P 29.

“that, in light of the significant transformation the CAISO grid is undergoing and the significant change in the resource mix, it is appropriate for the CAISO consider whether the CAISO should allow for economic outages and what form of compensation, if any, the CAISO should provide if it denies a generator’s maintenance or economic outage.”<sup>5</sup> The CAISO accordingly agreed to begin a stakeholder process in 2017 to address those issues. It committed to hold a process that would allow the CAISO and stakeholders to “carefully consider whether the CAISO should allow for economic outages and compensate generators when it denies an outage for a non-resource adequacy resource. Through that process, the CAISO and stakeholders will have sufficient time to consider all pertinent issues, the conditions under which economic outages should be permitted, if at all, and how economic outages would interact with other requirements of the CAISO tariff and with CAISO grid and market operations. Similarly, the CAISO and stakeholders will be able to consider whether compensating non-resource adequacy resources for rejected outage requests is appropriate and, if so, how they should be compensated, and to whom the CAISO would allocate the costs.”<sup>6</sup>

### **3.2. Scope of Initiative**

The scope of this initiative is limited to addressing the circumstances that were highlighted in the La Paloma complaint. The scope does not include a discussion of potentially allowing economic outages in general, as the CAISO’s position is that outages such as those submitted to report the status of a Generating Unit through the CAISO’s outage management system should generally be taken only for situations where there is a physical reason for the change in status of the resource. The distinction here is that this initiative will look at the conditions under which the CAISO may allow a Participating Generator to temporarily suspend the operation of its Generating Unit. The solution will likely involve a process and a new method for requesting and then reporting a temporary suspension of operations.

The process for permanent retirement of a Generating Unit is already covered in the CAISO tariff and the BPM for Generator Management and does not require further refinement as part of this initiative. The process for retiring Generating Units is in the CAISO tariff and BPM for Generator Management and the Participating Generator Agreement, and the California Energy Commission and California Public Utilities Commission have processes in place to address retirements. Participating Generators are expected to use these existing processes when they seek to permanently retire a Generating Unit.

The scope of this initiative also will consider situations where a Generating Unit that is in a geographic location where it can switch operation for an extended period of time from one balancing authority area to another adjacent balancing authority area. This initiative will establish the conditions under which such switching would be allowed and how the CAISO’s resource availability provisions would be applied.

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<sup>5</sup> *La Paloma Generating Co., LLC v. Cal Indep. Sys. Operator Corp.*, Answer to Protests of the California Independent System Operator Corp., at 5, FERC Docket No. EL16-88 (Jul. 20, 2016).

<sup>6</sup> *Id.* at 5-6.

### 3.3. Existing Processes

Section 11 of the BPM for Generator Management includes the various scenarios for retirement of Generating Units. The scenarios consist of the following:

**Scenario 1.** Retiring Generating Unit that wishes to reserve the Generating Unit's Deliverability Status and has either:

- a. Been approved for the affidavit repowering process pursuant to Section 25.1.2 of the CAISO Tariff; or
- b. Entered the CAISO generator interconnection queue to be studied for repowering pursuant to the GIDAP.<sup>7</sup>

**Scenario 2.** Retiring Generating Unit that wishes to reserve the Generating Unit's Deliverability but has not yet:

- a. Committed to or completed the assessment for the repowering process; or
- b. Entered into the CAISO generator interconnection queue after a determination that it is ineligible for the affidavit repowering process.

**Scenario 3.** Retiring Generating Unit that will not repower, and has no need to reserve the Generating Unit's Deliverability Status.

Depending upon the decision made by the Participating Generator, the schedules in the agreements need to be revised, the Master File will be revised to designate the Generating Unit as inactive when the Scheduling Coordinator ("SC") disassociates from the Generating Unit, and the status of the meter will impact the requirements of returning to service. In addition, to retain Deliverability the unit must demonstrate that it is actively engaged in the construction of the replacement generation within three years of retiring. The CAISO will check annually on the status of the repowering progress. The BPM further defines the steps under each scenario the Participating Generator is required to take in retiring the Generating Unit. Suspending or mothballing a Generating Unit is very similar to scenario 2 and should be evaluated in the context of this discussion.

The actions a Generating Unit must take consist of the following:

The Participating Generator's designated certified SC must begin the process by submitting a letter to SCrequests@caiso.com to relinquish the resource ID(s) which will end-date their association to the resource(s) designating the resource(s) as inactive in Master File. The effective date of this request should coordinate with the Participating Generator's requested

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<sup>7</sup> The CAISO's procedures for evaluating repower requests by an owner of an existing Generating Unit made pursuant to Section 25.1.2 of the CAISO Tariff allow such entities to obtain a CAISO three-party GIA without having to participate in the CAISO GIDAP study process if they demonstrate that the "total capability and electrical characteristics of the Generating Unit will remain substantially unchanged." The repowered Generating Unit must utilize the same fuel source and point of interconnection to the CAISO Controlled grid as the existing Generating Unit. If the Generating Unit has not been approved (or knows that Section 25.1.2 will be inapplicable), the repowering applicant will need to submit the project into the CAISO generation interconnection queue in accordance with the GIDAP.

effective date for retirement. Participating Generators that have not committed to the CAISO's repowering process or are ineligible for the repowering affidavit process, but that need to retire or "mothball" their Generating Unit(s) and reserve their NQC must provide notice to RegulatoryContracts@caiso.com sixty (60) calendar days before retiring the Generating Unit(s). In order to retain Deliverability priority, no later than two consecutive cluster application windows (that occurs during the month of April of each year) after retiring its Generating Unit(s), the Participating Generator shall do one the following:

- a. Designate a certified SC<sup>8</sup> for the resource ID(s) designating them as active in Master File, recertify the meters associated to the resource ID(s), and begin generating, or
- b. Be accepted in the repower process and have a new executed GIA, or
- c. Be in good standing in the generation interconnection process (Independent Study, Cluster or Fast Track processes).

Failure to do so may result in the loss of Deliverability Status or repowering rights.

Removing the Generating Unit(s) from the PGA / NSPGA/ QFPGA:

The Participating Generator will request a revision to the Schedule 1 of its PGA, NSPGA, or QFPGA by sending an email to RegulatoryContracts@caiso.com with a redline version of the Schedule 1. Please insert a strikethrough in redline to the technical information to indicate "removal" of the Generating Unit(s) from the Schedule 1. This will not terminate the PGA, NSPGA, or QFPGA.

Removing the Metering Facilities from the MSACAIOME:

The CAISO Metered Entity will request a revision to the Schedule 1 of its MSACAIOME by sending an email to RegulatoryContracts@caiso.com with a redline version of the Schedule 1. Please insert a strikethrough in redline to the technical information to indicate "removal" of the Metering Facilities from the Schedule 1. The CAISO will provide a confirmation letter to the CAISO Metered Entity for acknowledgment of retirement of the meters associated to the resource IDs after the SC has requested to relinquish the resource(s).

Please note that typically the removal of a Generating Unit from a PGA, NSPGA, or QFPGA and requisite MSACAIOME would result in the automatic termination for the Generating Unit. If a Generating Unit has completed the repowering process, the CAISO will not terminate the MSACAIOME, even if the meters are disconnected. However, the CAISO reserves the right, at its discretion, to terminate the MSACAIOME pursuant to Section 4.2 of the agreement.

## 4. Identified Issues

The issues that the CAISO has identified thus far are described below.

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<sup>8</sup> The CAISO requires specific letter notifications any time resources are assigned to a SC.  
<http://www.caiso.com/Documents/ResourceOwnerSchedulingCoordinatorSelection-LetterTemplate.doc>.

1. Whether the CAISO may allow a Participating Generator to temporarily suspend operation of its Generating Unit for economic reasons, and the conditions under which the CAISO would grant that request.
2. If the CAISO may allow a Participating Generator to temporarily suspend operation of its Generating Unit, the form of compensation, if any, the CAISO would provide the Participating Generator if the CAISO denies the Participating Generator's request to take the Generating Unit out of service.
3. The CAISO may want to establish a limit on the minimum amount of time that a Generating Unit can suspend its operations, and perhaps a maximum amount of time. Note that under the current BPM for Generator Management if the Generating Unit does not operate at the end of the three year period it loses its Deliverability. Further, the CAISO only allows a Generating Unit to not generate for one year before the CAISO requires the Participating Generator to determine a plan. Another consideration is whether the amount of time for suspension might be tied to the next resource adequacy procurement cycle and the Participating Generator would need to reapply.
4. The CAISO will need to establish a specific timeline for requesting suspended resource operation allowing for appropriate operations planning time and notification of approval and denial.
5. Is there a level of "return-ability" that would need to be maintained while the Generating Unit is in suspension?
6. If a Participating Generator has temporarily suspended operation of its Generating Unit, it seems that during that time period the Generating Unit should not be eligible to be used as a resource adequacy resource in a resource adequacy showing.
7. A Generating Unit that has suspended operations in one balancing authority area and is now operating in an adjacent balancing authority area should not be able to be counted as a resource adequacy resource in the balancing authority area for which it has suspended operation during the time period for which it has suspended operations.

## 5. Next Steps

The CAISO will discuss the issue paper with stakeholders during a stakeholder call on May 19, 2017. Stakeholders are encouraged to submit written comments by May 30, 2017 to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).