

Reliability Coordinator Services

Rate Design, Terms and Conditions Straw Proposal

COMMENTS TEMPLATE

Company	Contact Person	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative
“Reliability Coordinator Services Rate Design, Terms and Conditions”

Submit comments to initiativecomments@caiso.com

Comments are due July 11, 2018 by end of day

Comments:

The Modesto Irrigation District (“MID”) thanks the California Independent System Operator Corporation (“CAISO”) for the opportunity to comment in this stakeholder process concerning Reliability Coordinator (“RC”) Services Rate Design and Terms and Conditions, as well as the CAISO’s June 20, 2018 Draft Final Proposal posted in this initiative and June 27, 2018 stakeholder meeting. While the following does not purport to provide a complete list of MID’s opinions regarding RC Services Rate Design, Terms and Conditions, and while MID supports views and concepts that may be raised by others through posted comments, MID provides its own views in several areas:

Rate Design and RC Funding Requirement: MID asks for a refined description on Net Energy for Load specifically for the transmission operators (“TOP”) serving load who are directly billed (i.e., a part of a Balancing Authority (“BA”), but not a BA itself). MID understands that the CAISO proposes a volumetric billing determinant for most participants, as well as minimum charge of \$5,000 per year for those customers with
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zero to low MWh volumes. The volumetric billing determinant will be assessed based on Net Energy for Load (Net BA Generation plus Imports into the BA less Exports from the BA less Energy for Storage). The description speaks to BA Generation and Imports into and Exports from the BA, but potentially is not clear as to how it will be applied to the TOPs (with load) located in BAs outside of the CAISO's BA that are directly billed. MID asks the CAISO to clarify this point in its Final Proposal.

MID further asks CAISO to clarify the anticipated rate approval process to meet the legal requirements under the Federal Power Act ("FPA"). MID understands CAISO may need to implement RC rates at two, different times: once, when the CAISO commences RC functions for its BAA, and once when it extends RC services to entities located outside of the CAISO BAA. MID asks the CAISO to clarify how it anticipates meeting requirements of the FPA to implement potentially differing rates at two different times, and if the CAISO expects that it will require a waiver of its 120-day notice period for making new rates effective at the Federal Energy Regulatory Commission ("FERC"). Understanding that the CAISO has not had pre-filing meetings with FERC yet, any information on this point provided to interested stakeholders in advance of filing would be appreciated.

MID observes the increase in estimate of RC costs to \$18.5 million annually, but encourages the CAISO to develop solutions to avoid unexpected developments that lead to significant rate increases or, otherwise, to reconsider the idea of placing a cost cap for the RC Services category of the budget.

Settlements Process: MID is pleased that the CAISO agrees with stakeholders and will implement annual billings as opposed to invoicing on a monthly basis. The annual process addresses MID's concerns regarding summer peaking entities being penalized for being charged on a Net Energy for Load basis. MID also concurs with the CAISO's decision to not declare an RC Customer default 15 business days from the date of invoice in the event of failure to make payment, but is extending the time period for payment of the bill and default processes. From the June 27, 2018 stakeholder meeting, MID understood that, while the CAISO might notify the Western Electricity Coordinating Council ("WECC") that it is no longer the RC of record for a default provider, it will continue to provide RC Services to serve remaining RC Customers. Further, in Section 3.2.1 of the draft RC Services Agreement, the default provision states that an RC Customer may be terminated 30 days after written notice from CAISO. MID again urges the CAISO to request and receive Board approval prior to suspending an entity receiving RC Services, which will provide more effective and advance notice to other RC Customers, as well as provide a further degree of review of the implications of the decision to cease being the RC of record for a defaulting entity.

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Exiting Terms: MID agrees with setting a termination notice period of 12 months in order to allow the CAISO to budget its RC funding requirement appropriately for providing services to the remaining funders. The CAISO indicated the possibility of termination by an RC Customer with less than 12-months notice if the RC Customer agrees to pro-rated charges for less than 12 months. See Section 3.2.2 of the draft RC Services Agreement. Perhaps misunderstanding the intent of the option, providing notice to withdraw with less than 12-months notice appears to undercut the purpose of having the 12-month notice provision.

RC Service Tariff Framework: MID understands that the CAISO intends to take up revisions to the RC Services Agreement as part of its parallel Tariff revision process, where drafts are anticipated to be posted on July 18, 2018. In order to provide early feedback, MID provides the following observations and requests, acknowledging that these points may change upon issuance of the next draft of the agreement:

- At the June 28 stakeholder meeting, MID understood that the RC Services Agreement would become effective upon the last signature, rather than, as Section 3.1 indicates, upon the latter date of execution or upon acceptance and effective date designated by FERC, given that the agreement may be reported in Electric Quarterly Filings instead of through filing at FERC. MID asks the CAISO to clarify the intent of this provision in the next draft.
- Section 10.4 of the RC Services Agreement concerning assignments suggests that the agreement may be assigned by either Party, including the CAISO. With the CAISO as RC, MID understands that assignment of the RC function would require approval by appropriate authorities. The provision in the draft RC Services Agreement was designed primarily for utilities taking RC services, and not the CAISO (as suggested in the draft term), which cannot assign responsibilities without requisite approvals and processes. MID suggests no change to Section 10.4's language at this time, but notes its understanding here.
- To Section 2.2.1, MID suggests adding after the phrase, "If the RC Customer does not notify the CAISO by October 1," the additional language, "which services it is not taking." The additional language would clarify what the RC Customer is notifying the CAISO about.
- Given that the RC Services Agreement includes a provision on Confidentiality at Section 6.1, and while MID understands the provision primarily speaks to the CAISO's confidentiality obligations under Section

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20 of the CAISO Tariff, to the extent that a Party receives confidential information under the RC Services Agreement, it may be subject to the California Public Records Act, open meeting, or other state disclosure laws. MID does not believe a change in the text of Section 6.1 is necessary at this time, but cites this obligation for the CAISO's reference as it continues to revise the RC Services Agreement.

- MID asks for clarification as to what is meant by the blank line, "RC Services Date:" at the end of Schedule 1. MID contemplates that this blank is intended to reflect the date on which an RC Customer would begin representing the listed TOPs and Transmission Owners for RC Services, but MID asks the CAISO to clarify this point, perhaps renaming this line, "Date upon Which RC Services Commence for the Above-Listed Entities:". However, if this Schedule is meant to be revised, from time to time, to add or remove TOPs and TOs, the requirement for a line providing a date may be confusing and unnecessary.