

II. BACKGROUND ON RESOURCE ADEQUACY PLAN REPORTING

The RA program is a critical element to meeting grid reliability within the CAISO footprint. The CAISO administers the program in conjunction with the California Public Utilities Commission and other local regulatory authorities. As part of the RA program, scheduling coordinators representing load serving entities must submit monthly RA plans to the CAISO.¹ The monthly plans, which are due to the CAISO at least 45 days before the start of the month to which they apply, indicate which resources the load serving entity will rely on to satisfy its RA requirements.

The CAISO tariff imposes a \$500 penalty for each day that “information that is required to be submitted to the CAISO under the CAISO Tariff” is late.² This penalty provision applies to late RA plans.

III. COMMENTS

The processes and procedures underlying the RA program are an important element of the program. Without timely reports, the CAISO cannot know whether load serving entities have secured sufficient capacity and would not have adequate notice to take corrective action, such as issuing a capacity procurement mechanism designation under section 43A of the CAISO tariff to remedy any RA deficiency. It is important that all parties meet their RA reporting obligations. In this case the CAISO correctly applied its tariff and, per the relevant tariff provisions, Lathrop faced the appropriate sanctions.

¹ CAISO tariff section 40.2.2.4. Scheduling coordinators representing load serving entities also must submit annual RA plans.

² CAISO tariff section 37.6.1.

Lathrop's request draws attention to two prior unsuccessful RA penalty waiver requests from Eastside Power Authority and Rancho Cucamonga Municipal Utility, both of which were filed in 2015.³ In those cases, the Commission found the CAISO implemented its tariff properly despite assertions by the penalized utilities that the RA reporting penalty process disproportionately impacted smaller load serving entities.⁴ In its comments on the two waiver requests, the CAISO explained that the then-pending second phase of the reliability services initiative provided the proper venue for considering any prospective rule changes to how RA reporting penalties apply to smaller utilities.⁵ The Commission agreed and "encourage[d] CAISO, in its reliability services initiative, to consider mechanisms to address the potential for disparate treatment for different sized utilities."⁶

On September 29, 2017, the CAISO filed tariff amendments with the Commission to implement Phase 1b and Phase 2 of the reliability services initiative.⁷ Included in that filing are prospective rule changes to address the concerns raised in *Eastside* and *Rancho Cucamonga*. Lathrop's waiver suggests

³ *Eastside Power Authority*, 153 FERC ¶ 61,226 (2015); *Rancho Cucamonga Municipal Utility*, 153 FERC ¶ 61,225 (2015).

⁴ *Id.* at P 26; *Id.* at P 30.

⁵ *Eastside Power Authority*, California Independent System Operator Corporation's Intervention and Comments on Waiver Request, at 3, FERC Docket No. ER15-2588-000 (Sept. 22, 2015); *Rancho Cucamonga Municipal Utility*, California Independent System Operator Corporation's Intervention and Comments on Waiver Request, at 4, FERC Docket No. ER15-2550-000 (Sept. 17, 2015).

⁶ *Eastside*, 153 FERC ¶ 61,226, at P28; *Rancho Cucamonga*, 153 FERC ¶ 61,225, at P 32.

⁷ *Cal. Indep. Sys. Operator Corp.*, Transmittal Letter, FERC Docket No. ER18-1-000 (Sept. 29, 2017).

it does not support the CAISO's proposed rule changes in that proceeding.⁸ The CAISO understands that Lathrop may have preferred a different outcome from the reliability services initiative stakeholder process. However, any questions about the justness and reasonableness of those tariff amendments are properly addressed in the section 205 proceeding in which the CAISO has proposed them, not in this waiver request proceeding.

Lathrop's waiver request also cites the CAISO's planned notification procedures discussed in the reliability services initiative.⁹ There are two aspects to those procedures. First, the CAISO publishes a market notice several days before monthly RA plans are due to remind load serving entities of the upcoming deadline. The CAISO published the first such reminder on April 12, 2017, in advance of the April 17 deadline for the June 2017 monthly RA process.¹⁰ Second, a few days after every RA plan submission deadline, the CAISO evaluates whether any load serving entities that were required to submit an RA plan failed to do so and then contacts that load serving entity to minimize its penalty exposure. The CAISO fully implemented this post-deadline notification process on a systematic basis starting in April 2017 for the June 2017 monthly RA plans. The CAISO acknowledges it implemented these processes after the submission deadlines for the RA plans over which Lathrop was penalized. Lathrop has not been assessed additional RA reporting penalties

⁸ Lathrop Waiver Request, at 5-7.

⁹ *Id.* at 7.

¹⁰ The April 12 market notice is available at: http://www.caiso.com/Documents/Reminder_June2017MonthlyResourceAdequacy_SupplyPlansDue041717.html.

since the CAISO implemented those procedures.

Finally, Lathrop's waiver request draws significance from its inability to submit RA plans through the CAISO's Customer Interface for Resource Adequacy (CIRA).¹¹ Although the CAISO agrees with Lathrop that CIRA is not configured to accept RA plans with a zero MW value, this aspect of CIRA's configuration is only relevant because Lathrop did not procure any RA capacity even though its capacity obligations for all of the months in question was greater than zero.¹² Lathrop's failure to procure RA resources has continued to the present, but Lathrop has avoided additional penalties by submitting blank RA plans through e-mail. The only recourse for the CAISO contemplated under the tariff when a load serving entity fails to demonstrate procurement of its required RA capacity is to notify the load serving entity's local regulatory authority.¹³ Lathrop, as a publicly owned utility serves as its own local regulatory authority. The California Public Utilities Code, however, requires a "publicly owned electric utility serving end-use customers," such as Lathrop, to "prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves"¹⁴

¹¹ Lathrop Waiver Request, at 7-8.

¹² Lathrop's RA obligation across the months of 2017 ranges between slightly above 1 MW to slightly above 2 MW.

¹³ The CAISO tariff does not provide for penalties where a load serving entity with an RA obligation fails to procure any RA capacity (or otherwise meet its RA requirements).

¹⁴ CAL. PUB. UTIL. CODE § 9620(a). Under state law, the California Energy Commission "evaluate[s] the progress made by the local publicly owned electric utility[ies] in meeting" these planning and procurement obligations, *id.* at § 9620(d), and reports to the California Legislature on its evaluation. *Id.* at § 9620(e).

IV. CONCLUSION

The CAISO does not oppose Lathrop's requested waiver and takes no position on whether Lathrop has met the Commission's tariff-waiver standards in these circumstances. The CAISO notes that it properly implemented its tariff in penalizing Lathrop, and its recent reliability services initiative tariff filing, combined with new, more robust business processes, responds to the Commission's guidance in *Eastside* and *Rancho Cucamonga*. The CAISO acknowledges, however, that it had not yet implemented those business processes at the time of Lathrop's RA submissions, which resulted in the penalties at issue in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 11th day of October, 2017.

1s/ Grace Clark
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