

# **Business Practice Manual Change Management Notice of Appeal**

## **Pacific Gas and Electric Company and San Diego Gas & Electric Company**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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Pacific Gas and Electric Company (“PG&E”) and San Diego Gas and Electric Company (“SDG&E”) (hereinafter “Joint Appellants”) hereby submit this appeal of the California Independent System Operator’s (CAISO) proposed revisions to Section 7.2.3 of the Reliability Requirements Business Practice Manual (BPM), designated as Proposed Revision Request (PRR) 854.

The Joint Appellants submit this appeal on the grounds that the process by which the CAISO has used to institute operational requirements for resources that provide local reliability (i.e. local capacity resources) is inappropriate. The CAISO proposes to implement significant and in some instances, not well-defined, operational requirements of local capacity resources through a change to its Reliability Requirements Business Practice Manual (“BPM”) and has disregarded concerns expressed by the Joint Appellants that the CAISO’s process for instituting these requirements is insufficiently robust. Due to the significant policy implications of the CAISO’s proposed requirements for the California Public Utilities Commission’s (Commission) Resource Adequacy (RA) rules, the CAISO should cancel PRR 854 and let the Commission consider potential changes to requirements for Local RA resources. Then, the CAISO should revise its tariff via a stakeholder initiative to implement any Commission decision on this issue, subject it to Board of Governors approval, and submit to the Federal Energy Regulatory Commission for approval.

## **Previous Joint Appellant Comments on PRR 854**

The Joint Appellants previously objected to the CAISO's use of BPM changes to institute new requirements for local capacity resources. In comments submitted on August 13, 2015, the Joint Appellants asserted that the BPM change management process is not the appropriate venue to impose significant new restrictions on resources because it bypasses the established CAISO stakeholder initiative process to change existing policies.<sup>1,2</sup> PG&E also noted that BPM changes are intended to be ministerial in nature and consistent with the CAISO tariff and that it does not believe that the changes proposed are consistent with that intention.<sup>3</sup> In those comments, PG&E recommended that the Commission's RA proceeding be the appropriate venue to determine new local capacity resource requirements and allow parties to present arguments supported by evidence.<sup>4</sup> In its second comments, PG&E again objected to the use of a BPM to institute the eligibility criteria of local capacity resources without first waiting for this issue to be addressed in the Commission's RA proceeding and tariff changes vetted through a stakeholder process.<sup>5</sup>

The Joint Appellants also questioned the undefined requirement in proposed footnote 7 of Section 7.2.3 of the BPM that local capacity resources must be subject to a 20-minute dispatch requirement if they are not capable of being pre-dispatched sufficiently often. As PG&E stated in its comments, "the CAISO provides no definition as to what constitutes 'sufficient energy available for frequent dispatch.'"<sup>6</sup> SDG&E urged CAISO to quantify the term "frequent dispatch".<sup>7</sup> It is unclear to SDG&E how much energy must be available to meet the frequent dispatch on a pre-contingency basis since the term is not defined. SDG&E also urged the CAISO to clarify if demand response would meet the qualifications, if the program were to be bid and awarded or self-scheduled into the CAISO day-ahead market in advance of expected high load forecasts to mitigate potential contingencies.<sup>8</sup> Finally, SDG&E requested CAISO to clarify whether the local capacity resource qualifications are limited to only when the CAISO engages in reliability procurement such that it does not procure resources which do not meet the qualifications.<sup>9</sup> The CAISO has not addressed the concerns raised by the Joint Appellants.

## **Reason for Appeal**

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<sup>1</sup> Pacific Gas and Electric Company, August 13, 2015, p.1.

<sup>2</sup> San Diego Gas and Electric Company, August 13, 2015, p.1

<sup>3</sup> Ibid.

<sup>4</sup> Ibid, p.2.

<sup>5</sup> Pacific Gas and Electric Company, November 13, 2015, p.1.

<sup>6</sup> Ibid, p.2.

<sup>7</sup> San Diego Gas and Electric Company, November 11, 2015, p.1.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

***Section 40.3.1.1 of the CAISO tariff does not specify the operational requirements of resources providing local reliability.***

The CAISO uses Section 40.3.1.1 of the CAISO Tariff as a basis for specifying that local capacity resources must meet certain operational requirements to be considered in the CAISO's Local Capacity Technical Study. The CAISO claims that to be in compliance with this section of its Tariff, all resources that cannot be pre-dispatched sufficiently frequently must have 20-minute dispatch capability. However, Section 40.3.1.1 only addresses criteria for the CAISO's Local Capacity Technical Study and contains no operational requirements of local capacity resources. In the proposed BPM language, the CAISO states,

Tariff Section 40.3.1.1 requires the CAISO, in performing the Local Capacity Technical Study, to apply the following reliability criterion:

Time Allowed for Manual Adjustment: This is the amount of time required for the Operator to take all actions necessary to prepare the system for the next Contingency. The time should not be more than thirty (30) minutes.

On this basis, the CAISO's proposed BPM language declares that:

Local capacity resources can meet this requirement by either (1) responding with sufficient speed, allowing the operator the necessary time to assess and redispach resources to effectively reposition the system within 30 minutes after the first contingency, or (2) have sufficient energy available for frequent dispatch on a pre-contingency basis to ensure the operator can meet minimum online commitment constraints or reposition the system within 30 minutes after the first contingency occurs. Accordingly, when evaluating resources that satisfy the requirements of the CAISO Local Capacity Technical Study, the CAISO ***assumes*** that local capacity resources need to be available in no longer than 20 minutes so the CAISO and demand response providers have a reasonable opportunity to perform their respective and necessary tasks and enable the CAISO to reposition the system within the 30 minutes in accordance with applicable reliability criteria. [emphasis added]

The Joint Appellants do not dispute the CAISO's responsibility to meet NERC requirements and maintain reliability of the grid. However, the CAISO's unilateral interpretation of Section 40.3.1.1 is inappropriate given the lack of analysis and stakeholder input. The CAISO may ultimately be correct in instituting a 20-minute dispatch time but simply "assuming", as the CAISO indicated in the passage above, does not equate to the degree of vetting that such a requirement warrants. Otherwise, the CAISO could make similar assumptions about the requirements for system and flexible capacity resources.

As the Joint Appellants have consistently pointed out, the CAISO has not specified how frequently a resource must be capable of pre-dispatch on a pre-contingency basis to not be subject to the 20-minute dispatch requirement. The CAISO has refrained from specifying and stresses that existing DR resources are not sufficiently capable of frequent pre-dispatch. In its Initial Comments and Responses, the CAISO stated, “Existing supply-side demand response programs do not provide sufficient capabilities to pre-dispatch in anticipation of the first contingency, and therefore must be capable of responding quickly.”<sup>10</sup> In its second Response to PRR 854 comments, the CAISO claimed that “CAISO staff has previously and repeatedly communicated that it is not aware of any existing demand response programs that offer sufficient hours of curtailment necessary to pre-dispatch ahead of a first contingency in a local capacity area. To date, no IOU has directly provided evidence of existing demand response programs with sufficient availability such that it can be regularly pre-dispatched prior to a first contingency event.”<sup>11</sup> In this instance, the CAISO appears to overlook that without a clear definition of requirements for local capacity resources, there cannot be demand response programs or other use-limited resources with sufficient availability to be pre-dispatched prior to a first contingency event because it is unknown that the required level of availability is. Defining this requirement is necessary so that IOUs and third-party demand response providers can support the CAISO by designing programs to meet its requirements. In order for resource providers (including DR providers) to design products to meet the CAISO’s needs, the CAISO must clearly define what these needs are.

In its second Response to PRR 854 Comments, the CAISO indicated that it has reached out to the three IOU transmission owners to further discuss how a study can be conducted to develop requirements for local capacity resources. The Joint Appellants appreciate this step and look forward to working with the CAISO on this issue.

***The CAISO must initiate a stakeholder process to develop tariff changes to implement requirements for any resource to provide local reliability.***

As discussed above, the Joint Appellants have consistently questioned the process taken to institute these operational requirements. In each instance, parties have asserted that instituting operational requirements via a BPM change is inappropriate. Yet in its responses, CAISO appears to dismiss these concerns. In its initial comments, the CAISO cited its testimony in Rulemaking (R.) 13-09-011, R.12-03-014, Application (A.) 14-11-012, and A.14-11-016, as well as the CAISO’s existing Planning Standards as having already explained its position on these proposed requirements.<sup>12</sup> In its second comments, the CAISO asserts that the proposed BPM

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<sup>10</sup> California Independent System Operator, September 1, 2015, p.1.

<sup>11</sup> California Independent System Operator, November 23, 2015, p.3.

<sup>12</sup> California Independent System Operator, September 1, 2015, p.1.

language clarifies existing practice and clarifying current requirements for local capacity resources.<sup>13</sup>

Despite being an existing practice of the CAISO, this does not in and of itself convey legitimacy if it has not been vetted in a stakeholder process and is not contained in the CAISO tariff. The CAISO has recognized the importance of developing requirements for system capacity resources and flexible capacity resources in the Reliability Services Initiative (RSI) and Flexible Resource Adequacy Capacity and Must Offer Obligation (FRAC MOO) initiatives. These requirements were developed to also ensure reliability, utilized the stakeholder initiative process, and were codified in the CAISO tariff once approved by the CAISO Board of Governors and the FERC. The rules and requirements for local capacity resources should be developed through the same process.

The Joint Appellants appreciate the CAISO's proposal in the 2017 Resource Adequacy rulemaking to address this issue. Before initiating a stakeholder process on operational requirements for local capacity resources, the CAISO should allow time for the Commission to rule on these requirements. Only then should a stakeholder process be initiated to develop the appropriate tariff revisions.

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<sup>13</sup> California Independent System Operator, November 23, 2015, p.1.