

Western Power Trading Forum Comments on CAISO Black Start and System Restoration Phase 2 Draft
Straw Proposal

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WPTF appreciates the opportunity to submit comments on the CAISO's Black Start and System Restoration Phase 2 Draft Straw Proposal dated February 14, 2017 and the discussion that transpired on the CAISO's February 21, 2017 web meeting. WPTF offers the following comments.

1. **Support Competitive Procurement:** WPTF supports the CAISO's intention to competitively procure its black start services that are needed in addition to resources already providing black start.
2. **Further Transparency and Stakeholder Input Opportunities are Warranted:** While WPTF supports the CAISO's initiative to procure such services competitively, we believe the proposed process lacks transparency. All that is known to stakeholders thus far is that the CAISO plans to prepare the RFP. Details about the RFP have not been offered, other than for the CAISO to indicate that it plans to prepare a detailed technical specification. It seems the definition of the applicable area from which the Bay Area black start could be provided is still ill-defined, and no clear criteria for which resources could qualify have yet been offered by the CAISO. WPTF requests that the CAISO include in its stakeholder process the publishing of, and feedback from stakeholders regarding the proposed specifications for the services it is soliciting as well as any metrics the CAISO plans to use to evaluate the offers.
3. **The PTOs Are Being Given Disproportionate Authority in the Procurement Process:** The CAISO has proposed to work with the PTOs on the RFP and to collaborate with the PTO on the selection. It is unclear why the PTOs should be given such authority in the RFP and selection process, in particular when the CAISO is not proposing to provide visibility to the specifications or RFP with other stakeholders for input. While the PTOs may need have authority over the restoration plan, LSEs are affected and ultimately loads (and potential other customers of the PTO) will likely pay for the services. As indicated in 2 above, WPTF encourages the CAISO to not concentrate all of the information regarding the specification and selection criteria, as well as all of the decision-making with the PTO, at the exclusion of allowing input from other stakeholders. WPTF is further concerned about competitiveness issues; this is further discussed in item 4.
4. **PTOs Should Not Receive Pricing Information:** At a minimum if the PTO is going to have a strong role in providing input to the selection criteria and selection decision, the financial terms of the offerings by suppliers should be withheld by the CAISO from the PTO. The ISO may be able to argue that the PTOs should provide input as to the technical fit of the respondent's offer, but there seems no basis for the PTOs to see, or weigh in on, the relative financial merits. Marrying the technical fit and cost-effectiveness is something the CAISO can do if such is necessary. WPTF

is very concerned about the possibility that a PTO could see offers from other suppliers – suppliers who may in one form or another be competing for services with the assets owned or operated by the PTO’s parent. WPTF strongly encourages the CAISO to modify its proposal and maintain the commercial information distinct from technical information if the PTO is going to have a role in selection.

5. **WPTF Input on CAISO Questions:** The CAISO invited, through its comment template, response to the following questions. WPTF’s response follows each.

- a. *Please comment on the RFP six step procurement process identified in the straw proposal for incremental black start resources*

The ISO has offered the following process.

1. The ISO, in concert with the affected PTO, develops a black start technical specification document that defines requirements and key selection criteria.
2. The ISO issues an RFP for incremental black start resources.
3. The ISO provides the affected PTO the proposals for review and evaluation.
4. The affected PTO applies the selection criteria and submits a written recommendation to the ISO with supporting analysis.
5. The ISO reviews the recommendation against the selection criteria and approves or rejects it.
6. If approved, the ISO initiates a contracting process with the black start resource and PTO.

WPTF offered feedback on the first five of these steps in our points above.

- b. *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.*

WPTF supports allocation of costs by TAC area, based on metered demand and WPTF encourages the CAISO to allocate these costs through existing CAISO charge codes. Allocating the costs to the PTOs for their subsequent allocation leaves open questions regarding the appropriateness of such cost allocation to each individual PTO’s TO tariff. This seems to overly complicate the allocation of costs and raises questions regarding the just and reasonable treatment through the PTO’s TO tariff. If the CAISO has a strong basis for allocation in this manner, then we ask the CAISO facilitate collection of the cost allocation methods already specified in each PTO’s tariff such that the reasonableness of allocation through the PTO’s reliability services rates can be assessed.

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

There are several categories of costs, including costs of new equipment needed to provide black start, any incremental costs of providing the service if/when an outage occurs, and any additional testing or compliance-related costs.

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

WPTF does not have a predisposition to any specific term. Rather we see this as a trade-off between flexibility on the CAISO and supplier's part versus an extended duration over which to spread any capital costs related to the service. In any event if the contract is terminated early or if the contract term does otherwise provide for recovery, there should be mechanism to repay suppliers for any unrecovered capital costs.

- e. 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.

Assessing the likelihood of retirement seems like a difficult task that could result in a rather subjective determination. Further, if a resource is preferable over others then perhaps it warrants contracting with such a resource even if the future cannot be perfectly foreseen. Without knowing yet the preferred duration of the contracts generally, and without knowing the extent to which provision of the services may require capital expenditures, it is difficult to weigh in on this question. WPTF does discourage inclusion of such metrics if they are predominantly subjective.

WPTF appreciates the CAISO's consideration of these comments.