

## **Stakeholder Process: Black Start and System Restoration, Phase 2**

# **Summary of Submitted Comments**

**Stakeholders submitted three rounds of written comments to the ISO on the following dates:**

- Round One, Issue Paper 01/17/2017, Comments received 01/31/2017
- Round Two, Straw Proposal 02/14/2017, Comments received 02/28/2017
- Round Three, Draft Final Proposal 03/14/2017, Comments received 04/04/2017

**Stakeholder comments are posted at:**

[http://www.caiso.com/informed/Pages/StakeholderProcesses/Blackstart\\_SystemRestorationPhase2.aspx](http://www.caiso.com/informed/Pages/StakeholderProcesses/Blackstart_SystemRestorationPhase2.aspx)

**Other stakeholder efforts include:**

- Web Conference 01/24/2017
- Web Conference 02/21/2017
- Web Conference 03/21/2017

## Black Start and System Restoration Phase 2 Draft Final Proposal

Stakeholder	Position	Comments	Managements Response
PG&E	General Support	<ul style="list-style-type: none"> <li>• PG&amp;E supports the ISO's changes to the general RFP process steps. The Draft Final Proposal correctly identifies the ISO as the appropriate entity to apply the selection criteria and select the most technically and commercially viable offer based on the technical and cost data submitted. PG&amp;E also appreciates the inclusion of the applicable participating transmission owner (PTO) as a consultant in the development of the black start technical specification document. This consulting function is the appropriate role for the PTO to play in the RFP process.</li> <li>• The ISO notes that Transmission Owners may need to update their reliability services rate schedules in their own Transmission Owner (TO) Tariff. PG&amp;E's preferred approach would be to have the ISO intervene in support of FERC filings where PTOs ask FERC to revise their TO tariffs to allocate reliability services costs to all transmission customers within a participating transmission owner's service area.</li> <li>• PG&amp;E has previously expressed concern related to the short contractual commitment by the ISO and the black start service provider under the current RMR construct. The ISO attempts to address this concern by stating that a five- or (preferably) a ten-year term, evergreen unless cancelled, seems a reasonable approach. PG&amp;E is concerned that this approach will limit the participation in the RFP process.</li> </ul>	<ul style="list-style-type: none"> <li>• The ISO modified its straw proposal to address stakeholder concerns that the applicable PTO may have a conflict in selecting a black start resource when its utility owned generation submitted a bid to provide black start service. The ISO and the applicable PTO will likely incorporate any incremental black start resource into their system restoration plans, so it remains appropriate for the ISO to consult with the applicable PTO in applying the criteria to select a resource to provide incremental black start service.</li> <li>• The ISO has structured the cost allocation of additional black start costs so that the applicable PTO can recover these costs from transmission customers pursuant to the PTO's reliability services tariff. This approach is similar to the cost allocation methodology for the costs of reliability must run units.</li> <li>• The ISO has not established a contract term for black start agreements but will consider the term of an agreement as a factor that will inform the selection of a winning bidder in the competitive solicitation process.</li> </ul>
Department of Market Monitoring	Support	<ul style="list-style-type: none"> <li>• First, the ISO proposes that a PTO will not be allowed to help choose the winning black start capacity proposals if that PTO is associated with an entity that submitted a</li> </ul>	<ul style="list-style-type: none"> <li>• The ISO incorporated DMM's comments into its draft final proposal.</li> </ul>

## Black Start and System Restoration Phase 2 Draft Final Proposal

Stakeholder	Position	Comments	Managements Response
		<p>proposal. Second, the ISO proposes to use a cost of service model as a basis for both black start service offer evaluation and black start service provision compensation. Specifically, the ISO proposes to consider technical criteria, cost of black start service procurement and ongoing provision as well as existing assurances that the resource will continue to operate over the term of the black start agreement. DMM supports each of these measures.</p> <ul style="list-style-type: none"> <li>• It is DMM's understanding that the ISO intends that any accepted offer will be reviewed by FERC to ensure that it is reasonable. DMM recommends that the ISO clarify in the Final Proposal presented to the ISO's Board any other processes that the ISO is proposing to use to evaluate whether black start service offers or provision costs are reasonable before the final selected offers are sent to FERC.</li> </ul>	<ul style="list-style-type: none"> <li>• DMM is correct that any black start agreement and rate charged by the black start resource will be subject to FERC review and acceptance. The ISO plans to evaluate proposed costs for black start capability submitted by bidders through a competitive solicitation process</li> </ul>
NRG Energy, Inc	Support	<ul style="list-style-type: none"> <li>• NRG supports the ISO procuring black start service through a competitive solicitation among the resources that would be qualified to provide the service by virtue of being located in the area in which the black start service is required.</li> <li>• NRG reiterates its request for the ISO to provide as much information as possible to prospective bidders prior to the competitive solicitation, including, but not limited to:               <ul style="list-style-type: none"> <li>○ The electric and geographic area in which the ISO will seek to procure black start service, including providing clear electrical boundaries of the defined area by substation or circuit;</li> <li>○ The black start operating characteristics that will be required (startup time, energy duration required, etc.)</li> <li>○ The reliability standard and ISO tariff and relevant BPM requirements with which the black start resource owner will have to comply;</li> <li>○ The detailed criteria which the ISO will use to evaluate</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The ISO's draft final proposal incorporates this mechanism to procure incremental black start service.</li> <li>• The ISO is currently working to develop the technical specifications and a sample contract for the procurement of incremental black start resources for the Greater Bay Area. These documents will detail bidder requirements and evaluation criteria that the ISO will use to evaluate black start proposals and are targeted to be released in early May. In addition, the ISO will host a technical workshop to review the requirements and answer prospective bidder questions prior to the issuance of a black start service RFP. The ISO has not yet set a date for the black start technical workshop.</li> </ul>

## Black Start and System Restoration Phase 2 Draft Final Proposal

Stakeholder	Position	Comments	Managements Response
		<p>and select the black start resource, including how the source of the black start power will be evaluated and how alternate on-line dates will be considered; and</p> <ul style="list-style-type: none"> <li>○ Other information that would be useful for the prospective bidders to know when responding to the solicitation.</li> </ul> <ul style="list-style-type: none"> <li>• NRG does not oppose the black start agreement being a three-party agreement between the PTO, the resource owner and the ISO. NRG appreciates the ISO's commitment to releasing a pro-forma copy of the black start agreement prior to the solicitation. From the ISO's schedule, it is not clear if there will be an opportunity for market participants to comment on the proposed pro-forma agreement, or if the only opportunity for modifying the proposed pro forma agreement will be for the owner of the resource selected in the competitive solicitation.</li> <li>• NRG agrees that a cost-of-service approach is reasonable.</li> <li>• NRG reiterates that it will be important for the ISO and PTO to address the potential for or perception of conflicts of interest with the PTO through the black start selection process.</li> <li>• NRG supports the ISO's proposal to allocate the costs of black start service through the PTO's Reliability Services tariff.</li> </ul>	<ul style="list-style-type: none"> <li>• The sample Black Start agreement the ISO will release will serve as a framework for the contract to be developed with the successful black start service provider. The ISO expects the seller to file the contract with FERC. Market participants will be able to comment on the document during the ISO's black start technical workshop.</li> <li>• The ISO modified its straw proposal to clarify that black start resources would provide black start service on a cost-of-service model.</li> <li>• The ISO developed the RFP process steps as part of the Black Start and System Restoration Phase 2 Stakeholder Initiative. The ISO modified the proposal during the stakeholder process to address conflict of interest concerns.</li> <li>• The ISO has structured the cost allocation of additional black start costs so that the applicable PTO can recover these costs from transmission customers pursuant to the PTO's reliability services tariff. This approach is similar to the cost allocation methodology for the costs of reliability must run units.</li> </ul>

## Black Start and System Restoration Phase 2 Draft Final Proposal

Stakeholder	Position	Comments	Managements Response
Office of Ratepayer Advocates (ORA)	Does not oppose	<ul style="list-style-type: none"> <li>• ORA believes that PTOs should acquire additional black start resources and recover costs under the existing model, which has worked well since its inception. The current method allows the CPUC to review the costs and would be more efficient and less costly than a new request for proposal (RFP) process. Only in the event that a PTO is not able to acquire the necessary black start resources, should the ISO assume the responsibility for acquiring the black start capability under its proposed RFP process. For example, if a PTO needed to acquire additional black start resources from independent power producers, allowing that PTO to review the financial information of independent power producers as part of the procurement process would raise anticompetitive concerns.</li> <li>• To ensure that the costs of these additional black start resources are cost-based, ORA recommends the use of standardized selection criteria and contract agreement terms.</li> <li>• ORA also supports consideration of a soft offer cap, similar to the market power mechanism in place for capacity, as recommended by the DMM.</li> <li>• ORA recommends standardized agreement terms to ensure that included costs are based on industry standards.</li> </ul>	<ul style="list-style-type: none"> <li>• The ISO is proposing to secure additional black start capability to support its system restoration plan under NERC reliability standards. As part of this effort, the ISO is proposing a cost allocation approach that allows the PTO to allocate the costs to its transmission customers as opposed to allocating black start costs solely to the PTO's retail bundled load.</li> </ul> <p>The ISO notes that the Office of Ratepayer Advocates supports the use of the existing cost allocation system in allocating the black start costs associated with Utility Owned Generation. Furthermore, ORA identifies conditions in which it believes competitive solicitation for black start services is required. The ISO believes these conditions exist today in the Greater Bay Area and is the basis of the current stakeholder initiative and associated incremental black start RFP.</p> <ul style="list-style-type: none"> <li>• ISO is developing a sample contract for incremental black start resources. The provisions and terms will be made available for comment prior to the issuance of an RFP.</li> <li>• The ISO has not incorporated this element into the competitive solicitation process because the ISO will procure incremental black start service on a cost-of-service basis.</li> <li>• The ISO plans to issue a sample contract for review and discussion with stakeholders. The ISO contemplates that the agreement will have standardized terms to ensure costs are based on industry standards.</li> </ul>