

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER19-1562-000
Operator Corporation)**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO COMMENTS**

The California Independent System Operator Corporation (CAISO) respectfully submits this answer to comments filed in this proceeding by Pacific Gas and Electric Company (PG&E).¹ The CAISO's initial filing in this proceeding, submitted to the Commission on April 11 (April 11 filing), proposed to expand an existing exemption from the Resource Adequacy Availability Incentive Mechanism (RAAIM). Section 40.9.3.4(d) of the CAISO tariff provides a RAAIM exemption for forced outages "in a nature of work category relating to an administrative action by the resource owner, a cause outside of the control of the resource owner, or a short-term use limitation, as those categories are specified in the Business Practice Manual." The April 11 filing proposed to expand this exemption to planned outages that fall into these same three categories. The April 11 filing also included, for illustrative purposes, the business practice manual (BPM) modifications the CAISO intended to make as part of implementing this expanded exemption authority.

¹ The ISO submits this answer pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the current CAISO tariff and revised or proposed in this filing, unless otherwise indicated.

No party objects to the April 11 filing. Two parties – PG&E and Calpine Corporation – filed comments responding to the April 11 filing. Calpine offers unqualified support for the April 11 filing. PG&E also supports the April 11 filing but expresses concern over one of the CAISO’s proposed BPM modifications. Attachment C to the April 11 filing explained that as part of preparing the filing the CAISO reviewed the forced outages types that currently are exempt from RAAIM per tariff section 40.9.3.4(d). Based on this review, the “CAISO identified six nature of work types that no longer should be exempt under the existing authority granted by section 40.9.3.4(d)” and indicated its intent to amend the BPM accordingly.² One of the six outage types is the “environmental restrictions” nature of work. Section 3.4 of the BPM for Outage Management defines the purpose of this outage type as: “Restrictions due to environmental regulations specific to a resource that limits the dispatchable capacity of that unit.” The CAISO explained why it saw this outage type as not meriting a RAAIM exemption:

Environmental restrictions on a resource’s output arguably are beyond the resource’s control. Those restrictions, however, do not justify a RAAIM exemption because a resource’s regulatory restrictions are known when a resource is listed as RA capacity. The resource owner may not know exactly when the restriction will bind but it knows that it faces such restrictions. Further, these restrictions stem from a resource’s operating characteristics (e.g., a regulatory restriction on emissions only applies to the extent a resource emits). In this sense, the restriction is not exogenous to the resource. Allowing resources facing regulatory restrictions to hold a RAAIM exemption would undermine the value of RAAIM and the RA program because it permits them to claim RA capacity for capacity that foreseeably will be unavailable.³

² April 11 filing, Attachment C, at 3.

³ *Id.* at 3-4.

In response to this intended change, PG&E states in its comments it uses this outage type “to manage resource constraints outside of PG&E’s control.”⁴ To support its position, PG&E offers two examples. In one instance PG&E notes it had to take a forced outage on a wind resource because of the nearby presence of condors, an endangered bird species. For its second example, PG&E explains that it has a gas/diesel dual fuel facility. The facility’s primary fuel is natural gas but when the gas system has an outage the unit has limited diesel run hours before emissions limitations require it to take the unit offline completely. PG&E states that both “situations would not be predictable and are completely out of the operator’s control.”⁵

PG&E’s comments note that the BPM amendments the CAISO described in the April 11 filing “are already in the process of being adopted through the Proposed Revision Request 1154.”⁶ Any concerns PG&E has about the RAIM-exempt status of environmental outages should be directed to the proposed revision request process. The intended BPM change does not relate directly to whether the tariff amendment proposed in the April 11 filing is just and reasonable. Instead, PG&E’s concern speaks to how the CAISO may exercise its discretion under tariff authority PG&E seemingly agrees the CAISO should hold. That concern should be raised through the BPM revision process so all stakeholders can offer their respective viewpoints. Any concerns PG&E, or any other stakeholder, has with the final outcome can be appealed to an executive appeals committee and ultimately to the CAISO Board of Governors.

⁴ Motion to Intervene and Comments of Pacific Gas and Electric Company (PG&E comments), at 5.

⁵ *Id.*

⁶ *Id.* at 4.

Regarding the substance of PG&E's concern, the CAISO's implementation of a revised section 40.9.3.4(d) must be guided by the principle that neither the existing nor proposed tariff provisions guarantee a RAIM exemption for every outage beyond the generator's control. The RAIM exemption, instead, is tied to specific nature of work categories. In identifying a nature of work as RAIM exempt, the CAISO needs to be comfortable that every (or virtually every) outage reported in that category meets one of the three factors identified in section 40.9.3.4(d). This parsimony in granting RAIM exemptions is critical to maintaining the integrity and usefulness of the resource adequacy program as a tool for providing grid reliability. When a resource is shown as providing a certain megawatt value of RA capacity through the RA showings process, the CAISO counts on that capacity actually being available to meet the CAISO's reliability needs. Each megawatt of RA capacity permitted to take an outage without RAIM exposure and without having a substitution requirement increases the likelihood that the CAISO will face reliability concerns even if, from an RA accounting standpoint, the CAISO theoretically had sufficient RA capacity. Creating additional megawatts of RAIM-exempt capacity also raises equity concerns as to the RA capacity that remains exposed to RAIM non-availability charges. For these reasons, the CAISO must be judicious and not extend RAIM exemptions to an outage category when only some outages in that category meet the factors identified in in section 40.9.3.4(d).

As explained in the April 11 filing, the stakeholder process preceding this filing initially focused exclusively on exempting planned transmission-induced generation outages. The CAISO initially focused on this outage type because it was such a clear example of an outage that, whether planned or forced, always would be driven by "a

cause outside of the control of the resource owner.” When a transmission outage separates a resource adequacy generator from the grid, there is no reasonably identifiable way the generator could have prevented its RA capacity from being undeliverable.

The “Ambient Not Due to Temp” nature of work is another example of an outage that merits a RAAIM exemption under 40.9.3.4(d). This outage is defined to apply where the “resource provides notification of actual physical limitations to fuel availability due to hourly gas burn limitations issued by the natural gas transmission pipeline operator as described in CAISO Operating Procedure 4120.”⁷ In the circumstances covered by this definition and the identified CAISO operating procedure, a generator must take an outage or derate because a gas pipeline has curtailed gas deliveries to electric generators. In this scenario, prior planning on the generator’s part would not have avoided the outage. For this reason the CAISO is similarly confident that outages properly reported under this nature of work would relate to outages beyond the resource’s control.

The CAISO has no such confidence with the “environmental restrictions” nature of work. PG&E’s example of condor curtailments conceivably could be framed as an outage outside the resource’s control. PG&E’s example of restrictions on burning diesel, however, is a case of an outage within the generator’s control. As the CAISO explained in the April 11 filing, an emissions limitation “is not exogenous to the resource.”⁸ In PG&E’s specific example, if the initial gas system outage falls within the

⁷ Business Practice Manual for Outage Management, section 3.4. CAISO Operating Procedure 4120 is available at: <http://www.caiso.com/Documents/4120.pdf>.

⁸ April 11 filing, Attachment C, at 4.

scope of issues covered by the RAAIM-exempt “Ambient Not Due to Temp” nature of work, then once the diesel emission limitations foreclose further operations the resource could report the outage under that exempt nature of work for as long as the qualifying gas system limitations remain in place. Otherwise, the outage properly would be reported under either the “Environmental Restrictions” or “Ambient due to Fuel insufficiency” outage types.⁹

For the foregoing reasons, the Commission should approve the April 11 filing as just and reasonable and should not foreclose the CAISO from removing, through its regular BPM revision process, the RAAIM exemption for outages in the environmental restrictions nature of work.

Respectfully submitted,

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⁹ In this case there are two possible natures of work given that the resource in the example is a dual fuel unit and it faces limitations on both fuel sources.

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 17th day of May, 2019.

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