

Reliability Coordinator Services Rate Design, Terms and Conditions Straw Proposal

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PGE would like to thank the California ISO (CAISO) for the opportunity to comment on the document posted April 5, 2018, entitled Reliability Coordinator Rate Design, Terms, and Conditions. While PGE generally supports CAISO’s direction, PGE also recognizes that more information, including drafts of the proposed agreements, is needed to fully evaluate the CAISO’s proposal.

I. RELIABILITY COORDINATOR SCOPE OF SERVICES

The CAISO’s proposed core RC services appear comprehensive; however, PGE encourages the CAISO to leverage the expertise of each Working Group in order to fully validate the preliminary scope list.

PGE strongly supports the CAISO’s efforts to facilitate the continuation of the Western Interconnection tools. PGE believes that these tools fundamentally enhance the reliability of the Western Interconnection. CAISO’s work with the other RCs to ensure that these tools continue to provide west-wide visibility and equitable sharing of costs should remain a priority.

II. RELIABILITY COORDINATOR OVERSIGHT

PGE supports the concept of the Reliability Coordinator Project Steering Committee (RPSC) for the duration of the RC development process. PGE requests that CAISO provide regular emails with updates from progress/meeting minutes from working groups and task forces. PGE recommends that these updates be provided to the RPSC weekly.

PGE agrees that the RPSC should attempt to reach consensus whenever possible. However, as consensus is not always possible, PGE requests that CAISO provide clarification on how it intends to address situations in which a consensus cannot be achieved.

PGE supports the implementation of two co-chair positions for the RPSC Leadership. PGE suggests that these co-chairs be from geographically diverse regions, with one from the northern and the other from the southern areas of the Western Interconnection.

PGE understands that other RPSC members are recommending that CAISO contract with a third-party Quality Assurance/project management entity to oversee the CAISO RC project and provide independent progress reports to the RPSC. PGE recognizes that this proposal may have merit and benefit all RPSC participants, however, PGE requires more detail, including costs, before committing to this addition to the project.

Finally, PGE strongly encourages CAISO to consider a diversity of options for long-term oversight of the RC function. PGE recommends that CAISO review the work of the EIM Transitional Committee¹ looking at various types of governance structures as a starting point for this assessment.

III. RELIABILITY COORDINATOR SERVICE AGREEMENTS

PGE generally supports the CAISO's proposed approach to the Reliability Coordinator Service Agreements. As a FERC-jurisdictional utility and a participant in the Western EIM, PGE is familiar with the construct proposed by CAISO of a *pro forma* service agreement together with tariff amendments. However, PGE encourages the CAISO to provide more detail—including drafts of the *pro forma* Service Agreement and the tariff references—in order to validate the feasibility of this approach.

IV. RELIABILITY COORDINATOR ONBOARDING, INITIAL COMMITMENT, AND EXITING TERMS

Onboarding: PGE requests that CAISO provide clarification regarding the proposed “staggered onboarding integration” for RC customers indicating their choice of CAISO as RC provider beginning in fall of 2019.

By offering RC services, CAISO is accepting the obligation to provide those services to all balancing authorities (BA) and transmission operators (TOP) that sign an RC Services Agreement with CAISO, potentially in the fall of 2018. CAISO must commit to a date certain on which *all* RC Customers that are not in the CAISO BA area will cutover to CAISO as the RC provider.

Any alternative that staggers this onboarding process across various customer segments or multiple go-live dates introduces the risk that a BA or TOP could be left with no RC to provide services or an RC that is cost prohibitive. At the very least, staggered onboarding could create potential reliability seams issues between BAs during the transition period. Introducing these types of seams in the integrated topography of the Pacific Northwest could materially degrade the reliable operation of the Western Interconnection.

PGE believes that the staggered approach introduces unacceptable risks to regional reliability and requests that CAISO instead commit to a single cutover date for all entities outside of the

¹ See, for example, EIM Transitional Committee, “Straw Proposal: Long-Term Governance of the Energy Imbalance Market” March 19, 2015. Available at: https://www.westerneim.com/Documents/StrawProposal-LongTermGovernance_EnergyImbalanceMarket.pdf

CAISO BA area that sign an RC Services Agreement by a date certain. PGE also recommends that CAISO work with the other RC providers in the WECC to develop a transition plan to assure complete coverage of all BAs and TOPs .

Initial Commitment: PGE supports the CAISO’s proposal for an 18-month initial commitment for RC Services.

Exiting: PGE recommends that the CAISO expand the withdrawal notice period from six-month advance written notice to 12 months. CAISO should also consider whether to limit this notice to specified times during the year and if said times should align with entrances into the RC, if any.

V. RELIABILITY COORDINATOR FUNDING REQUIREMENT AND RATE DESIGN

RC Funding Requirement: PGE recommends that the CAISO adopt an annual cap of about 3% year-over-year increases unless approved by RC Funding Parties for special assessment in order to provide assurance of cost increase stability.

RC Operating Budget Reserve: PGE believes that the proposed 10% cumulative cap of the current RC Operating Budget is too high. PGE supports a cap of 5%.

FERC, NERC and WECC Penalties: PGE disagrees with the CAISO’s proposal to allocate FERC, NERC and WECC penalties under the same formula as set forth in Section 14.7 of the CAISO tariff. Instead, PGE recommends that CAISO allocate penalties incurred in its performance of the RC function according to the same formula used for annual charges.

An RC itself incurs penalties in the performance of its role as the RC. These penalties are separate and distinct from the penalties incurred by the BAs and TOPs who are taking RC services. PGE does not see merit in the CAISO’s proposal to pursue direct allocation of penalties to entities receiving services. These costs should be allocated to all RC participants, not directly assigned.

PGE is concerned that – given the overlap of functions, activities, software, and personnel – CAISO’s penalty allocation framework may result in an inequitable a cost shift from CAISO Market Participants as a whole to RC Customers. PGE urges the CAISO to carefully consider revisions to its penalty allocation tariff provisions to ensure that CAISO is able to accurately allocate penalties received according to the CAISO function that incurred the penalty to the customers that take service under that function.

VI. RELIABILITY COORDINATOR SETTLEMENT PROCESS

PGE strongly encourages the CAISO to reexamine its approach for RC customers who are in default of payment. PGE is concerned that CAISO’s proposal to terminate RC services after a default in payment of 20 days is not consistent with a “reliability first” approach. Rather, PGE recommends that CAISO consider an extended cure period for an RC Customer that has been unable to resolve its default status. PGE does not believe that the immediate termination of RC services is a reliable method of operation and fears that there could be

adverse impacts to the Western Interconnection if the Straw Proposal is implemented as written relative to defaulting customers.

Additionally, PGE finds that a five day invoicing period is unduly burdensome and would require manual processes to pay each bill. Additionally, while PGE does not oppose CAISO's proposal to invoice BAs on a monthly basis for RC services, PGE recognizes that this approach may not work for all potential RC customers. PGE encourages the CAISO to work with RC customers to identify solutions that are administratively efficient for all parties, including an extended invoicing period.

PGE supports the use of Net Energy for Load (NEL) and Net Generation (NG) as the appropriate billing determinants for RC Services. However, PGE recognizes that the introduction of the NG determinant is a change from the current formula to calculate costs for generation-only BAs and that some transitional adjustment may be warranted.