



**Reliability Coordinator Services  
Rate Design, Terms and Conditions Final Draft Proposal  
Comments of the Salt River Project**

<b>Company</b>	<b>Contact Person</b>	<b>Date Submitted</b>
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Salt River Project (SRP) appreciates the California ISO’s transparency and responsiveness throughout this Reliability Coordinator rate design proceeding. Overall, SRP believes that the proposal for RC rate design, terms and conditions is a sound one and provides a reasonable framework for offering RC services to potential customers. However, we have lingering concerns in a handful of key areas and offer the following comments on the Draft Final Proposal for Reliability Coordinator Rate Design, Terms and Conditions, dated June 20, 2018. In providing these comments, we reference the CAISO response to stakeholder comments issued in its May 31, 2018 document “Stakeholder Comments and CAISO Responses.”

**Non-jurisdictional entities**

SRP, like several other entities in the Western Interconnection, is a non-FERC jurisdictional entity. We understand that the CAISO intends to post a revised RC Services Agreement along with the proposed tariff language to implement the RC services functions on July 18. We also understand from comments during the stakeholder process that the CAISO is open to incorporating recognition into the RC Services Agreement the fact that some potential customers are not subject to FERC jurisdiction. We appreciate CAISO’s willingness to explicitly acknowledge and preserve the non-jurisdictional entities’ independence where appropriate, as other market operators offering RC services have done.



## **Oversight Committee**

While SRP recognizes that the rate design proposal is not necessarily the venue for raising governance issues, there does not appear to be another opportunity to reiterate key elements of importance for the RC oversight framework before the proposal is presented to CAISO's Board for approval. Therefore, SRP would like to emphasize the importance to RC customers of having the ability to provide meaningful oversight and guidance to RC management through the Oversight Committee. As funding parties for the service, we believe that the customers should have an opportunity for direct engagement with management in the provision of service and in addressing and evaluating issues. We believe that the discussions between the Reliability Coordinator Project Steering Committee and the CAISO were productive on this front and look forward to continuing to engage with the CAISO to finish developing the oversight framework.

## **Reliability Coordinator Services Staffing, Cost Containment and Accountability**

SRP recognizes that the CAISO needs flexibility to provide RC services in a way that it believes meets its obligations as the Reliability Coordinator under the mandatory reliability standards. We also recognize that the CAISO listened to concerns of stakeholders about staffing levels and believe that the adjustment to its staffing plan and anticipated costs may have been in response to some of this input. The staffing plan and anticipated costs increased from the straw proposal's estimated 28 FTEs at \$12M to the final proposal's estimated 55 FTEs at \$18.5M.

SRP had requested that the CAISO retain an independent expert to benchmark its staffing levels and validate that the plan is designed correctly to provide the services needed, but the CAISO declined to do so, offering some explanation for its process in its response to stakeholder comments dated May 31, 2018. However, the details around the CAISO's decision to increase staffing and cost are very limited, and SRP remains unable to fully evaluate whether the proposal is sufficiently robust to sustain RC service through the various conditions that are inevitably coming the CAISO's way as it takes on this responsibility, such as adequate staff in emergency conditions.

This lingering uncertainty about whether the staffing plan is sufficient for sustainable RC services is tied to SRP's second concern, that of cost containment. SRP had requested that the CAISO commit to a cap on year-over-year cost increases unless approved by the RC funding parties for a special assessment. CAISO declined to agree to a cost cap for RC services, citing its nonprofit status (which seemed to SRP like a non sequitur related to the topic of fiscal discipline) and its FERC Revenue Requirement Cap of \$202 million, which does nothing to provide assurance that CAISO will make prudent fiscal management decisions or avoid dramatic cost increases associated with the provision



of RC services. SRP reiterates its proposal that CAISO be held to a cost containment measure, whether a limit on increases over time or a cap specific to RC services beyond which the CAISO will not move without support from the Oversight Committee.

Tied to this desire for the CAISO to commit to a framework that will provide greater assurance of good fiscal management is the request that the CAISO management team be held accountable for excellence in the provision of RC services. While the CAISO mentioned a 2015 high-level strategic plan and a general statement that the Board considers reliability and compliance as a “factor” in evaluating corporate performance, the CAISO did not commit to including an evaluation of its success in providing RC services as a factor in weighing corporate and management success. The CAISO’s comments in its May 31 response remain very generic and not clearly tied to RC services. Thus, SRP reiterates its request that the CAISO commit to a framework where its RC management team will be held accountable for compliance and excellence in operations of the RC function.