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TEP is appreciative that the California ISO (CAISO) offers the opportunity to comment on the document posted April 5, 2018, entitled Reliability Coordinator Rate Design, Terms, and Conditions.

RELIABILITY COORDINATOR SCOPE OF SERVICES

The CAISO should seek a shared management agreement with other RCs in the Western Interconnection and the tool provider for joint-use tools such as Western Interchange Tool (WIT) and Enhanced Curtailment Calculator (ECC). It should provide for continuity of licenses and current billing, licensing, and contractual arrangements in the event that there is a shift in the primary license holder.

In addition to the core services listed, TEP is also interested in what other RC services (e.g, RTCA) CAISO will be offering as well as the associated costs. TEP is also requesting more detail regarding how Centralized Messaging will function and what facilities prospective members will need to provide.

RELIABILITY COORDINATOR OVERSIGHT

TEP supports the concept of the RPSC; however, CAISO should provide further clarification relative to the reporting structures between the RPSC and the lower-level sub-committees and working groups. The RPSC would like regular (suggestion: weekly) emails with updates from progress/meeting minutes from working groups and task force.

Further, how consensus regarding recommendations and/or issues will be achieved when/if a discrepancy arises either amongst the members of the RPSC or between working groups is also an important concept upon which CAISO should expound. If a shared consensus cannot

be achieved, then majority and minority opinions are documented. If opinions are split relatively evenly, default to approach that aligns most closely with current PEAK RC process for simplicity.

In addition, the methods and timing of provision to recommendations to CAISO as well as feedback to the RPSC from CAISO on such recommendations must be further detailed along with the dispute resolution process should the RPSC and CAISO be unable to reach consensus. TEP suggests that CAISO work directly with RPSC to develop an appropriate structure, robust communication methods and feedback loops, and equitable representation for CAISO versus non-CAISO entities.

To increase efficacy of this leadership committee, TEP would like to recommend two additional project elements:

- 1) The implementation of two co-chair positions for the RPSC Leadership. One would be from the North and one from the South part of the Western Interconnection with the dividing line being the Northern border of California, Nevada, Utah, and Colorado (California entities would be part of the southern group) and;
- 2) The engagement of a third-party Quality Assurance entity to oversee the CAISO RC project and provide independent progress reports to the CAISO RPSC. CAISO would issue the RFP approved by both the CAISO and the Ad Hoc Task Force approved by the Steering Committee. The RFP recommendation and costs to be approved by the RPSC.

Finally, TEP requests additional clarity and information from the CAISO regarding the plan to develop a long-term oversight committee.

RELIABILITY COORDINATOR SERVICE AGREEMENTS

TEP seeks to understand why the CAISO believes the RCSA should be a *pro forma* agreement that is filed with FERC, rather than a standardized bilateral contract that the CAISO enters into with entities receiving RC services. We also seek to understand what provisions related to the RC function the CAISO believes need to reside in its Tariff and why. In order to provide any substantive comments on this topic, the CAISO will need to provide the draft form of the RCSA as soon as possible.

The RPSC would like to understand why the Participating Transmission Owners will not be signing the Reliability Coordinator Service Agreement as well. Further, the draft of this document needs to be made available for comment soon in order to provide meaningful input.

Onboarding: TEP is requesting that CAISO provide clarity regarding their single official start date. CAISO is proposing a staggered onboarding integration with an official single start date in the Fall of 2019. It is unclear if this single official start date is applicable only to internal CAISO TOPs or to all entities that express interest in the initial CAISO RC service offering. TEP recommends that CAISO choose a single implementation date for all entities who will be a part of the initial offering, and, that the date be the lowest common denominator of readiness for all entities that commit.

Furthermore, onboarding should include a detailed transition plan that ensures coordination among RCs and complete coverage of all BAs and TOPs. Under no circumstances can CAISO's transition to an RC services provider leave any BA or TOP without an RC for even a short period of time.

Exiting: The exit provision should be extended from a 6-month advance written notice to 12-months. This will allow for entities the time necessary to adjust annual budgets accordingly. In addition, strike the sentence "This is to ensure adequate preparation and resources, as well as recognize seasonal challenges during the winter and summer months" as it is unnecessary with a longer withdrawal period.

RELIABILITY COORDINATOR FUNDING REQUIREMENT AND RATE DESIGN

CAISO proposes to manage RC services costs as part of its revenue requirement. TEP appreciates that the CAISO sets its revenue requirement pursuant to its stakeholder process, which, in theory, should allow for input and feedback by RC services customers. That said, TEP is concerned that because RC services customers will represent a small segment of CAISO's general stakeholder pool, RC services customers will be unable to determine or influence those portions of the revenue requirement that are specific to RC services. TEP requests clarification as to what role the CAISO envisions RC services customers playing in the stakeholder process, and how that process will be run. As noted below, we strongly believe that independent governance is key to structuring RC services, and believe that an RC governing board formed as proposed below should have the authority and sole obligation to approve the budget for RC services.

Funding Requirement: TEP would support a 3% cap on year-over-year increases unless approved by the RC Funding Parties for a special assessment. Further, increases need to be transparent (including shared applications with Reliability Coordinators). CAISO should provide transparency into any benchmarking that was done to develop the initial staffing proposal, including a review of the September 8, 2011 event findings for Peak and an explanation as to how the CAISO plans to address these findings.

Lastly, transparency is requested regarding analysis of geographic diversity of control centers.

RC Operating Budget Reserve: From TEP's perspective, the proposed 10% cumulative cap of the current RC Operating Budget is determined to be too high. An acceptable cap should be 5%. A more acceptable range for the operating budget reserve would be between 3-4% of the current RC Operating Budget.

RC Operating Budget contingency should not be utilized to pay penalties, but should be used to cover RC Customer defaults for no more than 3 months in lieu of increases to the monthly invoicing.

FERC, NERC and WECC Penalties: As stated in the straw proposal, "the CAISO tariff sets forth a process by which the CAISO may seek, with FERC approval, to allocate reliability-related penalty costs assessed by FERC, NERC or WECC to specific entities whose conduct was found to have contributed to such penalty and to recover costs associated with such penalties from CAISO RC Customers." TEP understands that the CAISO tariff currently allows it to make a filing at FERC to allocate penalties to the entity whose conduct gave rise to the event. However, we do not understand how this framework would work in the provision of RC services where the RC itself is penalized, and do not support this translation of the CAISO tariff provision to the RC function. We believe a better model is one where the cost of any penalty or remedial action that is assigned to the RC is allocated among those receiving RC services along the same formula as annual expenses. We do not see a framework where the RC pursues individual entities receiving RC services for allocation of penalty or mitigation costs assigned to the RC as a beneficial one or one where the time spent in the filing to authorize the recovery of funds is warranted. Finally, as is common with entities needing to prioritize reliability above all else,

TEP believes that the CAISO should propose a structure whereby the incentive compensation of key leadership and management is directly affected in the event of penalties and non-compliance events associated with the provision of RC services.

RC Settlements Process

The CAISO proposes to invoice BAs monthly for RC service with five-day terms. TEP would support that CAISO instead bill annually (as Peak does today) with a quarterly option (except as necessary for federal entities to meet statutory obligations, in which case monthly payment in arrears). This allows for consistency and continuity of billing processes for RC services customers. Further, the calculation of billing determinants (NEL/NG) should be no more burdensome than it is today in the Peak model. Peak performs an annual calculation and TEP suggests that CAISO do the same. Finally, it is simply not feasible for many entities to turnaround payment of invoices in five days' time. Furthermore, with an annual pre-payment for services, the CAISO should not need to collect on invoices this quickly. TEP instead suggests a bill payment requirement of twenty-one business days.

