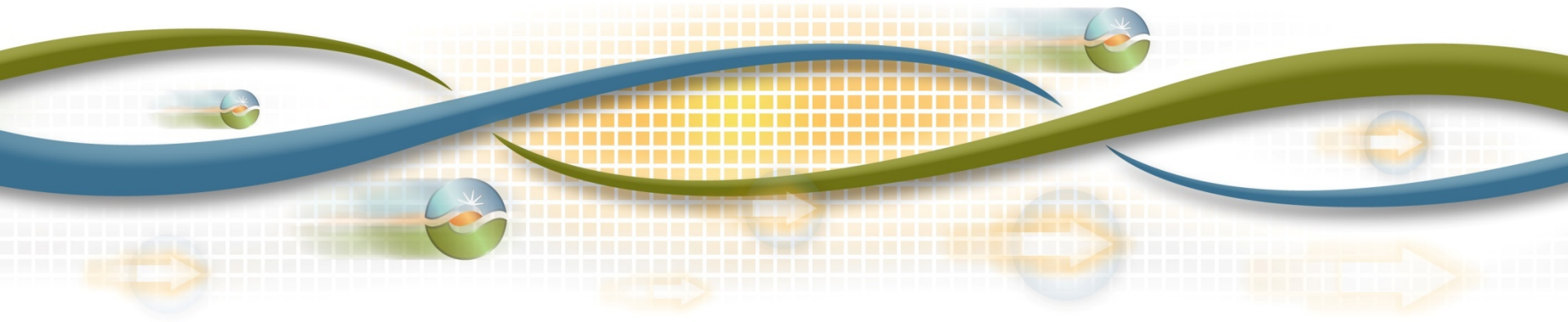


Reliability Services Initiative – Phase 2 Second Revised Draft Final Proposal

September 23, 2016

Eric Kim

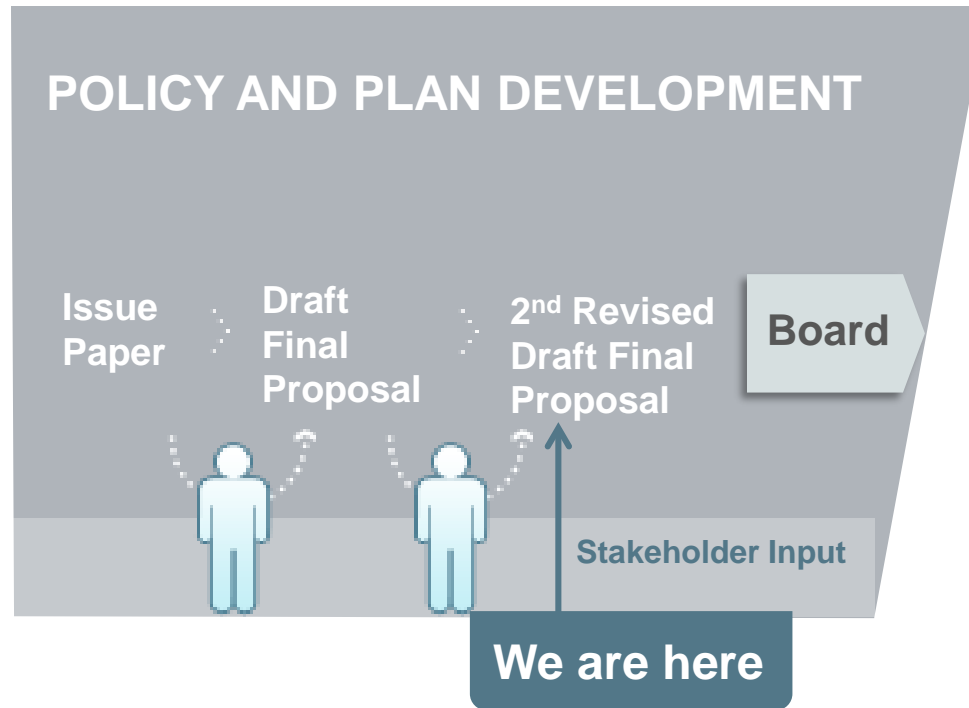
Market and Infrastructure Policy



Stakeholder Call – Agenda – 9/23/16

Time	Topic	Presenter
10:00 – 10:05	Introduction	Kim Perez
10:05 – 10:15	Timeline and changes to proposal	Eric Kim
10:15 – 10:40	Forced outage substitute capacity in local capacity areas	
10:40 – 11:00	Updating EFC values	
11:00 – 11:20	RA showing tracking and notifications	
11:20 – 11:40	RA showing requirements for small LSEs	
11:40 – 11:50	Deferred items	Kim Perez
11:50 – 12:00	Next Steps	

ISO Policy Initiative Stakeholder Process



Timeline

Date	Reliability Services Initiative – Phase 2
Sep 16, 2016	Second revised draft final proposal posted
Sep 23, 2016	Stakeholder call on second revised draft final proposal
Sep 30, 2016	Stakeholder comments due on second revised draft final proposal
Oct 26-27, 2016	Board of Governors meeting

The goal of this initiative is to continue improving aspects of the ISO's availability, outage substitution rules, and clarifying the RA process

1. Forced outage substitute capacity for RA resources capacity in local capacity areas
2. Process to update Effective Flexible Capacity (EFC) list during the year
3. RA showing tracking and notification
4. RA showing requirements for small LSEs

The ISO is proposing to defer the following two items to a subsequent reliability services initiative (RSI)

1. Substitution for flexible capacity resources on planned outage
2. Address the RAAIM exemption currently in place for combined flexible capacity resources

The table below describes the planned implementation date for each topic in this second revised draft final proposal

Topic	Planned Implementation Date
1. Forced outage substitute capacity for RA resources capacity in local capacity areas	Fall 2017
2. Process to update EFC list during the year	Fall 2017 (manual) Fall 2018 (automated)
3. RA showing tracking and notification	Fall 2017
4. RA showing requirements for small LSEs	Fall 2017
5. Substitution for flexible capacity resources on planned outage	Deferred to future RSI
6. Address RAIM exemption currently in place for combined flexible capacity resources	Deferred to future RSI

FORCED OUTAGE SUBSTITUTE CAPACITY FOR RA RESOURCES IN LOCAL CAPACITY AREAS

Background on planned and forced outage substitute capacity for RA resources in local capacity areas

- Currently, RA resources in local capacity areas that go on a forced outage must provide substitute capacity that is also located in a local capacity area or be subject to availability charges.
- The Straw Proposal outlined four options in which the ISO proposed to incorporate an additional flag to track system and local procurement.

Stakeholder comments

- Calpine, CDWR, SVP, Six Cities, and NRG support the ISO's proposal to unbundle local and system RA.
- PG&E and SDG&E disagree
 - Unbundling prioritizes compensation over physical capability.
 - A resource may withhold bundled local capacity and force ISO backstop procurement.

Proposing to modify template to require entities to specify MWs of capacity procured to meet local and system RA.

- The ISO will use this new RA showing/supply plan information to determine whether a resource that goes on forced outage must replace with system or local capacity.
- Exactly as is done today, the ISO will continue to assess whether an LSE is individually sufficient in meeting its local RA obligation using all of its capacity on its RA showings that is physically located in a local capacity area.

PROCESS TO UPDATE EFC LIST DURING THE YEAR

Background on process for updating resources EFC

- Now that flexible capacity requirements are in place, the ISO has identified a need to improve the EFC calculation and change management process.
- There are several reasons a resource may request an EFC during the year.
 - Switching from non-dispatchable to dispatchable,
 - Resource goes online,
 - Resource's NQC increases

Stakeholder comments

- NRG, Olivine, and SCE either support^{rt} or did not oppose the proposal.
- Six Cities recommends that the ISO target publication of revised NQC and EFC lists by T-45 days while PG&E suggest^s collaboratively setting the deadline.

Proposal

- No change from the previous proposal.
- The ISO will update EFC only upon request from SC for resource.
- Request must come either at same time or after the SC submits request to change NQC value.
- The ISO will manually update the EFC list until an automation process is implemented in the fall of 2018.

RA SHOWING TRACKING AND NOTIFICATION

Background on RA showing tracking and notification

- Each year, LSEs are required to submit year ahead RA showings. Monthly RA plans are currently due at t-45 days before the operating month.
- Any monthly RA showing that is submitted after t-45 days will incur a penalty of \$500 per day until the RA plan is submitted.
- The Small POU Coalition requested the ISO look at the process and penalties for only small POUs.

Stakeholder comments

- CDWR expressed support and SCE did not oppose the proposal to dropping the previous proposal to automatically roll over LSE's RA showings.
- Six Cities, the Small POU Coalition, and SVP would support the previous proposal to automate the rollover of monthly RA showings.

Rather than roll over LSE's RA showings, the ISO has developed the following notification process to SCs that are one day late in their monthly RA showing.

1. One day after the monthly RA showing is due (T-44), the ISO will run the reporting tool.
2. A list of LSEs that did not submit a monthly RA showing at T-44 will be sent to ISO client services.
3. As soon as practical, ISO client services will send a notification via email and a phone call to LSEs that have failed to submit a monthly RA showing.
4. Within 3 business days after a client representative has confirmed notification with the SC, the ISO will run the reporting tool to confirm if all LSEs have submitted their monthly RA showing.
5. If an LSE has still not submitted their monthly RA showing, the notification process with ISO client services will restart.

RA SHOWING REQUIREMENTS FOR SMALL LOAD SERVING ENTITIES

Background on RA showing requirements for small LSEs

- The ISO tariff provides an exemption from RA showings for small LSEs if measured demand for the previous year was less than one MW.
- Although this waiver provides some relief for small LSEs, it still leaves many LSEs with off-peak monthly RA requirements of less than one MW that must be fulfilled.

Stakeholder comments

- PG&E, the Small POU Coalition, Six Cities, and NRG are either supportive or not opposed to the proposal.
- SCE requested that the ISO publish information to report the amount of MW by category that are being waived for LSEs to allow stakeholders to be aware of the magnitude of the exemption.

Proposed Exemption from RA showings

- An LSE with a measured peak demand of greater than one MW but with a monthly RA requirement for a specific month and a specific RA product less than one MW is exempted from submitting a monthly RA showing.
- LSE is exempted from local showings if the LSE's local requirement is less than one MW in a Transmission Access Charge (TAC) area.
- An LSE that is exempted from an RA showing in this instance, will not be subject to any backstop procurement costs.

Proposed Late RA showing penalty for small LSEs

- Proposing to amend the tariff so that an LSE's failure to submit individual monthly RA showings where the LSE's capacity obligation for that month is less than one MW would not constitute a violation of the Rules of Conduct in the ISO tariff (Section 37).
 - \$500 per day penalty
- LSE would not be subject to penalties for failure to make an RA showing for a given capacity product (system, local, or flexible) if its obligation for that product for that month is less than one MW.

Proposed Late RA showing penalty for small LSEs (continued)

- LSE is not penalized for the failure to submit a monthly RA plan, however, if an ISO assessment shows a deficiency in RA capacity, the ISO will notify LSE of the RA deficiency and give LSE a chance to cure the deficiency.
- If the LSE does not cure the deficiency and the ISO exercises its backstop authority, the LSE will be subject to cost allocation for capacity procured.

Magnitude of exemption

- In 2016, only one LSE has been granted an exemption.
- The ISO currently has a total 52 LSEs; therefore, the maximum possible magnitude of the exemption would be no more than 52 MW.
- The ISO does not believe that this exemption will create a major impact on the total RA capacity provided.

The ISO will defer the following two items to a subsequent RSI (RSI 3).

1. Substitution for flexible capacity resources on planned outage
 2. Address the RAIM exemption currently in place for combined flexible capacity resources
- RSI 3 will begin in 2017
 - RSI 2 contains additional details on these two items that will be transferred to the subsequent initiative.

NEXT STEPS

Kim Perez

Timeline

- RSI 2 next steps
 - Stakeholder comments on the second revised draft final proposal are due on September 30, 2016.
 - Please submit all comments to initiativecomments@caiso.com using the comments template available at <http://www.caiso.com/Documents/CommentsTemplate-ReliabilityServicesPhase2-SecondRevisedDraftFinalProposal.doc>.
- Oct 26-27 Board of Governors meeting