

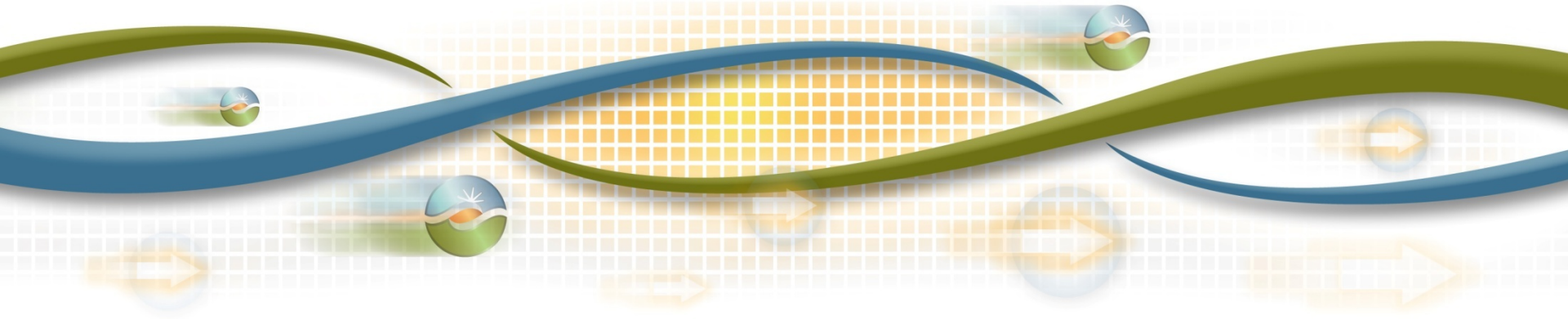


California ISO
Shaping a Renewed Future

Reliability Services Initiative

Draft final proposal call
January 29, 2015

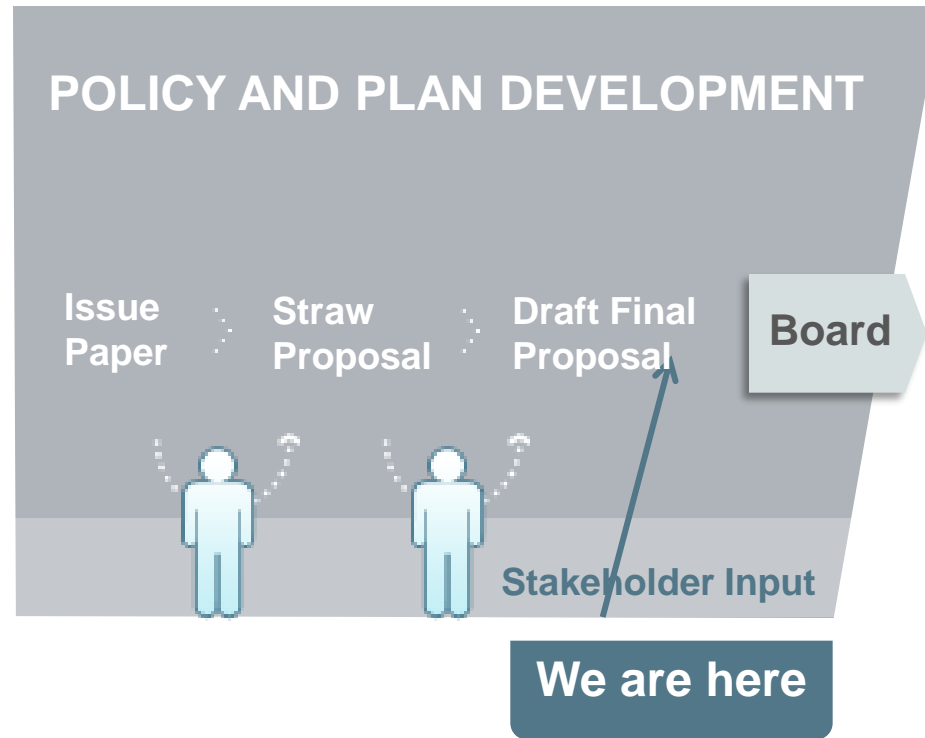
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Stakeholder Meeting Agenda- January 29, 2015

Time	Topic
9:00 – 9:05	Introduction and meeting agenda
9:05 – 9:30	Schedules and stakeholder comments
9:30 – 9:45	Changes to default eligibility requirements and must offer obligation
9:45 – 10:00	PDR participation in RUC
10:00 – 10:20	Use-limited definition impact on must-offer obligations
10:20 – 11:25	Changes to availability incentive mechanism
11:25 – 11:40	Changes to the RA process, replacement, and substitution rules
11:40 – 11:55	Proposed changes to the local capacity requirement
11:55 – 12:00	Next steps

ISO Policy Initiative Stakeholder Process



Stakeholder engagement schedule

Item	Date
Draft Final Proposal Posted	Thursday, January 22, 2015
Draft Final Proposal Meeting	Thursday, January 29, 2015
Tentative: Joint RSI and CCE phase 2 call	Friday, February 6, 2015
Draft Final Proposal Comments Due	Thursday, February 12, 2015
Board of Governors Meeting	March 26 and 27 2015

Coordination with other ISO initiatives

- Coordination with CPM Replacement
 - Separate BOG meetings (Feb and March)
 - Separate, but concurrent tariff filings
- Coordination with Commitment Cost Enhancements
 - Implementation of availability incentive mechanism staged based on opportunity cost methodology
 - Prior to opportunity cost implementation use-limited resources will be able to put in exempt hourly outages “non-environmental use-limit reached” to manage start and run hour limitations
 - After opportunity cost implementation will not be allowed to manage starts and run hours through outages

FERC plan for RSI

- Two-phased FERC filing
 - Specific schedule is still being decided
- Target filing date April 2015 will include:
 - All CPM replacement initiative policy
 - All RSI policy, except 2017 RA process and outage proposal
- Second filing Q3 2015 will include:
 - 2017 RA process and outage proposal with any needed changes due to CPUC RA process

RSI phase two preliminary schedule and scope

- RSI phase two scope and schedule anticipated Q2 2015
- The ISO envisions it could have several parts:
 1. Durable flexible needs studies and proposal
 2. Proposal for any changes needed to incorporate durable flexible needs into availability assessment and outage planning rules
 3. Consider other changes to other RA rules
 - Unique local eligibility requirements
 - Separate local and system RA showings
 - Import allocation use for replacement and substitution

Stakeholder comments - requests for changes that were not included in the draft final proposal

- Many stakeholders commented on exemptions; the ISO maintained the previous proposal for the most part
 - Added exemption for pumping load
 - Clarified PDR exemption
- Proposal to penalize RA capacity at a higher rate during CPM events ultimately was not adopted due to challenges in determining culpability of any single resource on outage
- Proposal for a separate local and system requirement will still be assessed in phase II of this initiative

DEFAULT QUALIFYING CAPACITY AND MUST-OFFER OBLIGATIONS ASSESSMENT

K.MEEUSEN

Changes to default qualifying capacity and must-offer obligations

- ISO will include dispatch timing as part of the assessment of interties resources for in phase two
- Added a requirement for MSS load following resources to provide monthly and annual flexible capacity RA plans
- Maintains the proposal for MSS load-following LSE's additional after-the-fact flexible capacity requirement
 - One MW for one MW additional flexible capacity requirement
 - Overly burdensome to determine resource's flexible capacity contributed after the initial study run

Changes to default qualifying capacity and must-offer obligations (cont.)

- Clarified the RUC bidding rules for PDR
 - Short and medium start PDRs procured in RUC will not receive a binding dispatch instruction from RUC;
 - binding dispatch instructions will come from the real-time market using the resources' real-time bids
 - Long start PDRs procured in RUC will receive a binding dispatch instruction from RUC
 - Resource use-limitations would be reached to quickly
- ISO is updating RA must-offer obligation rules for ULR in Commitment Cost Enhancement Phase II stakeholder initiative
- Non-ULR NGRs will not be subject to bid insertion rules at this time

Use-limited definition impact on must-offer obligation

- CCE2phase is changing the use-limited definition, which will change the resource set of “use-limited” resources
- Use-limited designation is used to exempt resource from RUC and generated bid rules
- Intent is not to change the current policy, but specifically identify and exempt resources that currently fall under the “use-limited” designation, but will not under the new definition
- Rules will be changed concurrent with the changing of the use-limited definition so that RUC participation and generated bid rules do not suddenly apply to a broader resource set

AVAILABILITY INCENTIVE MECHANISM

Updates to name and pricing

- The acronym for the RA availability incentive mechanism has changed from AIM to RAAIM
- Three month advisory period for the availability incentive mechanism that will begin with the implementation date
- The ISO proposes a new availability incentive mechanism price, \$3.79/kW-month
 - 60% of CPM soft offer cap price
 - Still tied to a “high” average price for RA
 - Will be reassessed not less than every 4 years

Updates to PDR outage requirements

- A generic PDR resource can use the non-environmental use-limit reached outage for 48 hours after being dispatched for three consecutive days
- A flexible PDR resource has no special rules about consecutive days and therefore can use the non-environmental use-limit reached outage for the remainder of the month only after being dispatched for 5 days in that month (consecutive or non-consecutive)

AIM exemptions and non-exemption clarifications

- Exemption clarifications
 - Load following MSS capacity shown by a load following MSS LSE is exempt from the RAAIM for all capacity types-local, system, and flexible
 - ISO proposes to monitor participating load that is pumping load and consider enhancing the availability incentive mechanism to assess these unique must-offer requirements at a later date
- Non-exemption clarification
 - RA resources that do not meet their must-offer requirements due to natural gas unavailability or high costs will continue to be fully exposed to the availability incentive mechanism

Availability assessment of flexible categories clarification

- ISO proposes to require that each resource only has a single flexible must-offer obligation for purposes of availability assessment
 - A resource may be shown in multiple categories, but the availability assessment on all the resource's RA capacity will be equal to the highest quality category shown
 - Recognizes that flexible categories were created to allow different resources to participate as flexible resources
 - Reduce implementation complexity

Pro-ration of RAIM payments and penalties for daily RA

- The RAIM formula has been updated to clarify that substitute and replacement capacity is included in the calculation as committed RA capacity
- Average monthly MW quantity will be prorated based on number of days the resource provides capacity in the circumstance where both flexible and generic RA is being provided

Updates to the draft final proposal - acquired resources

- The ISO has renamed “grandfathered resources” to “acquired resources”
- In response to stakeholder request, the scheduling coordinator must submit the affidavit to have acquired resource status, but the affidavit may be from the scheduling coordinator or resource owner

REPLACEMENT & SUBSTITUTION

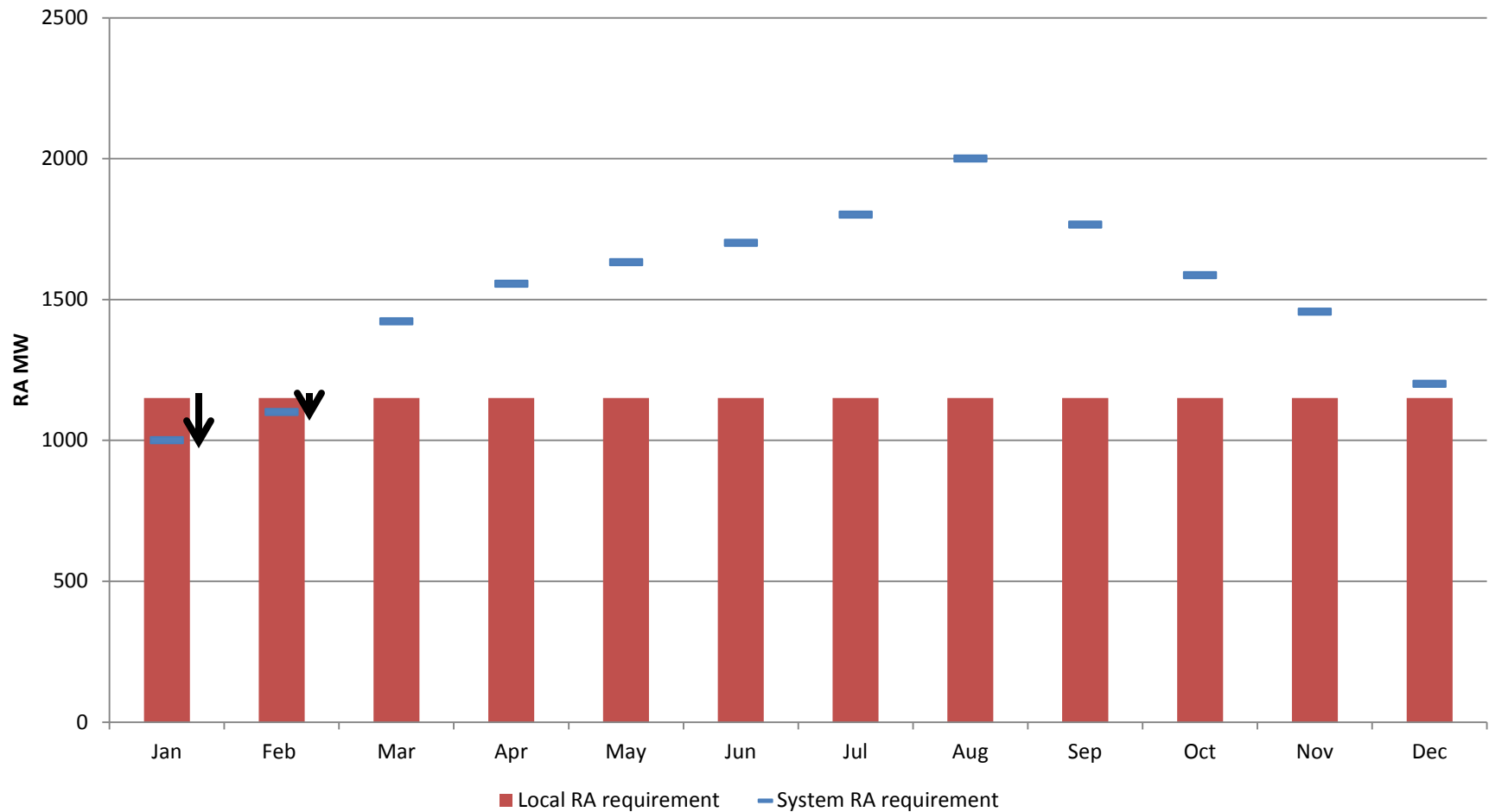
Updates to RA process, replacement, and substitution

- Clarifies timing of targeted policy implementation
- Revises 2017 RA calendar that begins at T-45 and follows PGE comment proposal
- Proposes that if the ISO requests a previously approved outage to move, then the new outage will have no replacement requirement
- Removes the option for LSEs to be a modified reserve sharing (MRS) - LSE

Change in local requirement

- ISO proposes to cap the local RA requirement at the system requirement
- Addresses concerns from stakeholders on the potential for LSE's with a local capacity requirement greater than a system capacity requirement to have a replacement requirement beyond what is needed for reliability purposes
- The ISO has also proposed this change in the CPUC RA process (Rulemaking 14-10-010)

Local requirement capped at the system requirement in monthly and annual showings



NEXT STEPS

Next steps

- New mailbox for comments:
initiativecomments@caiso.com
- Comments due: February 12, 2015
- BOG: March 26 & 27 2015

Appendix – Hourly availability formula

- $\{ \text{Min}(\text{economic bid} + \text{eligible Pmin}, \text{flexible RA showing}) + \text{Min} \{ \text{Max generic incentive}, \text{Max}(0, \text{Total bid} - \text{flexible RA showing}) \} / \text{Total RA requirement}, \quad \underline{\text{where:}}$
 - $\text{Total bid} = \text{self-schedule} + \text{economic bid} + \text{Pmin}$
 - $\text{Total RA requirement} = \text{Max} (\text{committed flexible RA}, \text{committed generic RA})$
 - $\text{Max generic incentive} = \text{Max} (0, \text{committed generic RA} - \text{committed flexible RA})$
 - Economic bid is the market bid set, i.e. the clean bid set with outages
 - Eligible Pmin is the Pmin eligible to count toward the flexible requirement

Appendix – Proration of RA MWs for availability calculation

- Average monthly MW * price (\$/MW – month) * availability percentage
- Average monthly MW =
 - Weighted average of flexible availability and generic availability
 - Average is weighted by:
 - Committed hours / potential hours in a month by RA type
 - MW value of each RA type