# Comments of the Staff of the California Public Utilities Commission on the California Independent System Operator's (CAISO's) Reliability Services Initiative – Phase 2: Revised Straw Proposal

| Submitted by | Company | Date Submitted |
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The Staff of the California Public Utilities Commission (CPUC Staff) appreciate the opportunity to comment on the CAISO's "Reliability Services Initiative – Phase 2: Revised Straw Proposal" issued on October 7, 2015 as well as CAISO's presentation made to stakeholders on October 14, 2015. The CPUC Staff offer the following comments:

Efficiency of Resource Adequacy Program Management:

As we indicated in prior comments, the CPUC Staff appreciate the opportunity to work to make the Resource Adequacy (RA) process more efficient and streamlined and we believe that an important first step in this collaborative process is to provide the CPUC access to the CAISO's automated CIRA (Customer Interface for Resource Adequacy) system. We believe that this would streamline our compliance process. In its Revised Straw Proposal, the CAISO has indicated that this issue was "beyond the scope of the RSI2 stakeholder initiative." While we disagree with this determination, especially given that the scope of this proceeding is to identify provisions that will "provide additional benefits to both the LRAs and the LSEs," we look forward to further cooperation in this area outside of the formal stakeholder process.

Placing Requirements on the CPUC:

In its revised straw proposal, the CAISO proposes providing a standardized template to all Local Regulatory Agencies (LRAs) to provide necessary information about the LRA's RA program to validate a Load Serving Entity's (LSE's) showing. Moreover, the CAISO clarified in the stakeholder call that it intends to revise its tariff to "require" the LRA to provide this information to the CAISO.

First, the CPUC and the CAISO currently coordinate all RA matters in compliance with state law, which states in relevant part, "[t]he commission, in consultation with the Independent System Operator, *shall establish resource adequacy requirements for all load-serving entities*." Given this clear mandate, we believe it is inappropriate for the CAISO to place requirements in its tariff which would constrain the CPUC in any way from performing its statutory obligation to develop and implement the CPUC's RA program. The CPUC and the CAISO have worked cooperatively over the last decade in implementing this program. To reiterate what we stated in our previous comments, CPUC Staff object to any provision in the CAISO's tariff or business practice manual that binds the CPUC to a schedule other than its own, or implements CAISO requirements in lieu of CPUC requirements. In sum, we strongly urge the CAISO to remove this section from the RSI initiative.

Seasonal Requirements:

CPUC Staff reiterate our request that seasonal requirements be considered in this initiative. While CAISO has indicated that this issue is out of scope, we request that this be explained in the draft final proposal that is presented to the Board so that the record is clear. Previously, CAISO has indicated that this issue "falls within the scope of the ISO's annual local capacity requirement study process," and we look forward to working on this issue in that process.

Flexible Capacity

CPUC Staff reiterate our prior comments regarding CAISO's proposal to use reported use-limitations to determine flexible capacity categories. In its proposal, CAISO states that it will use the use-limitation data to "determine whether a resource qualifies to provide Base, Peak, or Super-Peak flexible capacity." The CAISO uses an example of a resource limited to 15 starts per month and indicates that such a resource should be considered only a super-peak resource. The CPUC Staff is concerned that defining categories in this manner could be overly restrictive and may have unintended consequences that result in higher costs for ratepayers. CPUC staff believe that if the resource meets the requirements (e.g., has indicated in the master file that it can perform two starts per day) and is able to meet the must-offer requirements, no further restrictions should be placed on the resource and the resource should qualify for any or all of the categories of flexibility that they would otherwise qualify, aside from use limitations.

Regarding Flexibility Capacity substitution rules: CPUC Staff is generally supportive of the Six Cities proposal that if a flexible resource goes on outage, that resource must only be replaced with a resource that has a flexible must-offer obligation. We tend to agree that the must-offer obligation is key to the flexible requirement. CPUC Staff's understanding of CAISO's proposal was not aided by the presentation made to the Market Surveillance Committee (MSC) on October 20th, which implied that flexible capacity is an hourly product. The Must-Offer Obligation is not hourly, but rather requires flexible resources to make themselves available to the energy market throughout an RA month. Therefore, further clarification of CAISO's response to Six Cities' proposal seems necessary.

Local Capacity Replacement

CAISO presented four options for replacing local capacity when there is a forced outage. CAISO seemed to be leaning toward the fourth option which would add a local capacity designation to RA showings and allow for like-for-like forced outage substitute capacity. It would also add a designation to supply plans that identifies the specific capacity used to meet its local capacity requirements. CPUC Staff is still considering how burdensome this would be for the LSEs and awaits further LSE comment and CAISO clarification on this proposal. Given that this has the potential for creating complicated filings, CPUC Staff tends to think that Option 3 (CAISO discretion: Resource request the ISO to grant a waiver of the local-for-local substitution requirement) would be preferable.

Availability Incentives (RAAIM)

CPUC staff believes the RAIMM provisions are reasonable, both as they apply to units that change their MasterFile information to impede the utilization of their EFC and for units that expend their use limitations before the end of their flexible must offer obligation commitment period. In addition, the process outlined to update the EFC midyear appears reasonable.