

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative
“Temporary Shutdown of Resource Operations.”

Submit comments to InitiativeComments@CAISO.com

Comments are due October 3, 2017 by 5:00pm

The Draft Final Proposal posted on September 6, 2017 and the presentations discussed during the September 13, 2017 stakeholder conference call can be found on the [TSRO Website](#).

Please use this template to provide your written comments on the Draft Final Proposal and any additional comments that you wish to provide.

1. Please indicate whether you support the Draft Final Proposal.

Comments:

CPUC Energy Division staff does not support the Draft Final Proposal. In its Draft Final Proposal, CAISO proposes the following:

- To allow resources to temporarily shut down their operations for any non-physical reason (i.e., there “will be no requirement that the resource owner show that the resource is in economic distress or that it is uneconomical for the owner to operate the resource”).
- To allow requests for no longer than one month at a time between May and October and four months at a time between November and April, with no limit on the number of

TSRO requests, consecutive or non-consecutive, except that after a one-year TSRO period, the resource will not be approved for an additional TSRO outage.

- To conduct a reliability assessment that will consider, among other criteria, whether the TSRO will reduce system capacity below what CAISO operations expects it needs to maintain “reliable operations,” and that this “additional margin will be based on CAISO’s assessment of operating conditions, **including up to a 1-in-10 load forecast plus required operating reserves.**” (Emphasis added.)
- For those resources denied a TSRO, to pay the resource a CPM payment to keep the resource in service (up to soft-offer cap or **\$6.31/kW-month**).

CPUC Energy Division staff opposes this initiative primarily for two reasons. First, CAISO has expanded the scope of the initiative to allow for outages for any reason, which could lead to sanctioned withholding, rather than focusing on uneconomic resources. Second, CAISO’s proposal potentially expands the RA program from one based on a 1-in-2 IEPR load forecast to a 1-in-10 CAISO load forecast, without any upfront coordination with the CPUC, discussion of the potential effects of the proposed changes on the resource adequacy (RA) program, and/or examination of the costs and potential benefits of such an approach.

In its filing with FERC regarding La Paloma, CAISO indicated that it was appropriate for the CAISO to consider whether it should allow for **economic outages** and what form of compensation, if any, the CAISO should provide if it denies a generator’s maintenance or economic outage. Further, in its initial issue paper and straw proposal, CAISO focused on outages for resources for economic reasons and only in the draft final proposal did CAISO eliminate this requirement. Energy Division staff is concerned that expanding this to outages **for any reason** raises the specter of withholding, as there should be no reason to cease operations for short periods of time if price is in excess of marginal costs.

CPUC Energy Division staff also opposes this initiative because it appears that the system capacity reliability assessment, introduced only in the draft final proposal, appears to fundamentally change the RA program from one based that covers a 1-in-2 load forecast (from the CEC and agreed to by the CAISO and CPUC) with a planning reserve margin (PRM) of 15% to a program that covers a 1-in-10 load forecast, which will be developed by the CAISO. The CAISO provides no data on how these two forecasts differ over time, nor does CAISO explore or examine the potential costs (in terms of additional capacity procured at the CPM price) that this new requirement could impose or attempt to value the potential benefits that would be realized in terms of reliability. Absent such an analysis, or coordination with the CPUC regarding a potentially fundamental change in the RA paradigm, Energy Division staff opposes this effort.

In addition, Energy Division staff has a number of other concerns. First, from a process perspective, in its May 10, 2017 Issue Paper and its June 21, 2017 Straw Proposal, CAISO

indicated that it would publish a Revised Straw Proposal on August 9th (see Table 1 below, from the June 21, 2017 Straw Proposal).

Table 1 – Schedule for this Stakeholder Initiative

	Date	Milestone
Kick-Off	May 4, 2017	Issue market notice announcing this new initiative
Issue Paper	May 10	Post issue paper
	May 19	Hold stakeholder call
	June 6	Stakeholder written comments due
Straw Proposal	Jun 21	Post straw proposal
	Jun 28	Hold stakeholder call
	Jul 13	Stakeholder written comments due
Revised Straw Proposal	Aug 9	Post revised straw proposal
	Aug 16	Hold stakeholder call
	Aug 29	Stakeholder written comments due
Draft Final Proposal	Sep 11	Post draft final proposal
	Sep 18	Hold stakeholder meeting
	Oct 2	Stakeholder written comments due
Final Proposal	Nov 1-2	Present final proposal to CAISO Board for approval

However, after making 26 modifications to its Straw Proposal, CAISO skipped the Revised Straw Proposal and published its Draft Final Proposal. As discussed above, CAISO made numerous and consequential changes to its proposal and moving directly to the Draft Final Proposal without providing stakeholders the opportunity to comment on a Revised Straw Proposal consistent with the published schedule does not provide sufficient time for stakeholder comment and considered review (notably, the comment template asks parties generically whether they support the proposal and for “any additional comments,” not for comments on the numerous changes to the draft final proposal.)

Second, a number of questions remain unanswered:

- Do any other jurisdictions allow outages for no specified reason – which ones and why? And what types of compensation are provided, if any?
- What other jurisdictions allow economic outages and under what circumstances and parameters?
- How much money does the CAISO expect a resource can save from a one-month outage?
- CAISO states that “if a CPM TSO designation is longer than a month, then the CAISO will provide a mechanism for LSEs to receive credit for the procured capacity towards their RA requirements in proportion to how the costs of the designation are allocated.”

However, if a TSRO CPM determination is made at T-8, even for a 2 month CPM, the CPUC will not be able to credit this to LSEs (RA plans are due at T-45), in which case, will the CAISO develop some crediting mechanism? Please explain how CAISO proposes to do this.

- Can a resource return to service if it obtains an RA contract (this was unclear in the discussion/presentation)?
- CAISO proposes that if it asks a resource to return to service early it will “offer the resource a CPM payment plus an adder for costs incurred to bring the resource back online early.” How will this adder be determined and reviewed? What types of costs can be included? What level of review will this adder undergo? Will it be standard or resource specific? Will an Independent Engineer be employed to evaluate the adder?
- Previously CAISO indicated that “it expected that such denials [of TSRO requests] would be rare.” Does CAISO still believe this to be the case with its revised system capacity reliability criteria? If so, please explain.
- In previous comments, Energy Division requested that CAISO explain how DR (and AAEE for that matter) would be treated in the 1-in-2 forecast. Energy Division staff reiterate this request – especially in light of the CAISO’s proposed use of its proprietary 1-in-10 forecast plus operating reserves for determining the necessary system capacity to reliability operate the grid.

2. Please provide any additional comments.

Comments:

See above.