

## Subject: Reliability Services Initiative 2 Revised Draft Tariff Language

Submitted by	Company	Date Submitted
<i>Michele Kito, mkl@cpuc.ca.gov</i>	<i>Energy Division California Public Utilities Commission</i>	<i>April 18, 2017</i>

The CPUC Staff appreciate the opportunity to comment on the California Independent System Operator (CAISO) Reliability Services Revised Draft Tariff Language Posted on April 7, 2017, which will be discussed on a stakeholder call on April 24, 2017. Energy Division staff has identified the following areas of concern with CASIO’s proposed draft tariff language:

- CAISO has made changes to the revised draft tariff language that are inconsistent with the Second Revised Draft Final Proposal approved by the CAISO Board of Governors;
- CAISO’s proposed changes do not address potential leaning and reliability issues; and
- CAISO should remove the section regarding default allocation of flexible capacity that is unnecessary and inconsistent with CAISO’s position in RS12.

Each of these points is discussed in more detail below.

### **CAISO Has Made Changes to the Revised Draft Tariff Language That Are Inconsistent with Second Revised Draft Final Proposal Approved by the CAISO Board of Governors**

In the original tariff, CAISO stated the following in Section 40.7, Compliance:

The CAISO will evaluate Resource Adequacy Plans and Supply Plans as follows:

- (a) The CAISO will evaluate whether each annual and monthly Resource Adequacy Plan submitted by a Scheduling Coordinator on behalf of a Load Serving Entity’s (i) allocated responsibility for Local Capacity Area Resources under Section 40.3.2 and (ii) applicable Demand and Reserve requirements. Any evaluation of compliance with the responsibility for procuring Local Capacity Area Resources will be made without regard to capacity’s identification as Listed Local RA Capacity.

In the revised tariff, CAISO states the following in Section 40.7, Compliance:

The CAISO will evaluate Resource Adequacy Plans and Supply Plans as follows:

- (a) The CAISO will evaluate whether each annual and monthly Resource Adequacy Plan submitted by a Scheduling Coordinator on behalf of a Load Serving Entity's (i) allocated responsibility for Local Capacity Area Resources under Section 40.3.2 and (ii) applicable Demand and Reserve requirements. The CAISO will evaluate compliance with the responsibility for demonstrating Local Capacity Area Resources in two phases: Phase 1 of the Local Capacity Area Resource sufficiency evaluation will be made without regard to capacity's identification as Listed Local RA Capacity. Phase 2 of the Local Capacity Area Resource sufficiency evaluation will consider capacity to be a Local Capacity Area Resource only if it is also a Listed Local RA Capacity.

This represents a significant shift and is inconsistent with the Second Revised Draft Final Proposal approved by the Board. The Second Revised Draft Final Proposal and CAISO's presentation to stakeholders on September 23, 2016, explicitly state the following:

- “The ISO is not proposing to change its local RA assessment methodology and will continue to assess whether an LSE is individually sufficient in meeting its local RA obligation using all of its capacity on its RA showing that is physically located in a local capacity area, exactly as is done today” (p. 6, emphasis added.).
- “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”<sup>1</sup>

Moreover, in response to comments on the Second Revised Draft Final Proposal, CAISO explicitly states that, “The ISO's revised proposal focuses on substitution rules and does not seek to modify individual or collective deficiency assessments.”<sup>2</sup>

CPUC Energy Division staff believes that this last minute change is not consistent with CAISO's proposal approved by the Board, will result in inconsistencies between the CPUC and CAISO program (CPUC has not unbundled the local attribute and assesses local compliance based on the physical location of the resource), and will raise implementation issues that have not been sufficiently vetted through a stakeholder process.

---

<sup>1</sup> Reliability Services Initiative – Phase 2 Second Revised Draft Final Proposal, September 16, p. 11 (emphasis in original), available at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.aspx>.

<sup>2</sup> Reliability Services Initiative – Phase 2 Second Revised Draft Final Proposal, September 16, Appendix A, Stakeholder Comments and ISO Responses, p. 22.

## **CAISO’s Proposed Changes Do Not Address Potential Leaning and Reliability Issues**

In previous comments, Energy Division staff raised issues regarding potential leaning and reliability issues, which are not addressed by this proposal, as there does not appear to be any consequence if an entity does not show sufficient “listed local resources.” While CAISO has indicated that it will assess compliance based on listed local resources (inconsistent with the Board approved proposal), CAISO indicates that failure to demonstrate compliance (and consequent CPM designations) are based only on assessments of Local Capacity Area Resources:

Where a Scheduling Coordinator fails to demonstrate in a monthly Resource Adequacy Plan, submitted separately for each represented LSE, procurement of each LSE’s share of Local Capacity Area Resources [\(irrespective of status as Listed Local RA Capacity\)](#), as determined in Section 40.3.2 for the reported month, the CAISO shall have the authority to designate CPM Capacity, provided, however, that the CAISO shall not designate CPM Capacity under this Section 43A.2.1.2 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7. Section 43.2.1.2 of the Revised Draft Tariff Language.

## **CAISO Should Remove the Section Regarding Default Allocation of Flexible Capacity that is Unnecessary and Inconsistent with CAISO’s Position in RSI2**

In the draft tariff and the revised draft tariff, CAISO has included the following language:

\* \* \*

### **40.10.2.3 Default Allocation Methodology**

If a Local Regulatory Authority does not provide to the CAISO by the deadline established in the relevant Business Practice Manual a methodology for allocating 100% of the Local Regulatory Authority’s flexible RA requirement, as determined pursuant to Section 40.10.2, to the Load Serving Entities under the Local Regulatory Authority’s jurisdiction, then the CAISO will utilize the CAISO default allocation methodology. The CAISO default allocation methodology is the same methodology as defined in 40.10.1 with two exceptions: (1) the CAISO will perform the allocation for each LSE within the LRA; and (2) if a LSE’s contribution to the three-hour net load ramp is less than 1 MW in all 12 months of a calendar year, then the CAISO will allocate 0 MW to that LSE for all 12 months of that year.

Energy Division Staff objects to this provision for two reasons. First, it is unnecessary to establish default provisions, as this is done in Section 40.10.5.3(a) “If the Local Regulatory Authority has not established its own flexible capacity procurement requirements, the CAISO will validate the annual and monthly LSE Flexible Capacity Plans for that Local Regulatory Authority’s jurisdictional Load Serving Entities.... If the Local Regulatory Authority has established its own flexible capacity procurement requirements, the CAISO will not validate the individual LSE Flexible Capacity Plans for that and will use the Effective Flexible Capacity value for each resource calculated under Section 40.10.4.

Second, Energy Division staff objects to this language because the CAISO had removed the LRA/LSE “process alignment” from the Second Revised Draft Proposal. In its Revised Draft Final, dated July 7, 2016, CAISO stated that, “The ISO is no longer proposing to develop a default template detailing the information it needs regarding the LRA’s RA program.”<sup>3</sup> In this same section, CAISO noted our opposition, stating that “The California Public Utilities Commission (CPUC) opposes any potential tariff changes and changes to the proposal where default requirements only apply if CPUC does not submit information as this does not address concerns with the de facto requirement placed on the CPUC. In the revised draft proposal, the ISO is no longer proposing a default template due to the direction that policy development is going in the Regional RA initiative, where detailed information on the specific elements of each LRA’s program may not be needed.”<sup>4</sup>

---

<sup>3</sup> “Reliability Services Initiative – Phase 2: Revised Draft Final Proposal,” July 7, 2016, p. 4.

<sup>4</sup> :Reliability Services Initiative—Phase 2: Revised Draft Final Proposal,” July 7, 2016, p.5.