

# CPUC Staff Comments on Reliability Services Initiative (RSI) - Phase 2 Draft Final Straw Proposal

Submitted by	Company	Date Submitted
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CPUC Staff appreciates the opportunity to offer these comments on the RSI Phase 2 Draft Final Straw Proposal. Since the proposal is mostly unchanged from prior versions, our comments mainly restate our prior concerns, with an additional recommendation regarding the Local RA issues in the draft final proposal.

## **“Clarifying” Local Regulatory Authority interaction and process alignment**

CPUC Staff wishes to reiterate our opposition to any tariff changes that imply that Default RA requirements would be applied to LSEs that are regulated by the CPUC. Such a provision would be in conflict with state law that specifies that the CPUC regulates non-municipal LSEs in California and sets their RA requirements. Changing the proposal so that the default requirements would only apply if the CPUC does not submit the information on the conditions proposed by CAISO does not alleviate our concerns with this de facto requirement placed on the CPUC.

CAISO’s proposal does not explain why acquiring this information through the LRA submission via a CAISO developed template is necessary for CAISO to fulfill its tariff obligations. Of course CPUC staff will continue to work with CAISO to ensure that our jurisdictional LSEs have procured sufficient capacity to meet their requirements, and will work bilaterally to resolve any discrepancies that either organization identifies.

## **Moving issues from RSI to CCE 3 Initiative:**

CPUC Staff appreciate that CAISO took the concern of the CPUC and other stakeholders into consideration with regards to how difficult it was to understand the interactions between related and intertwined proposals made in three different stakeholder initiatives. However, the CAISO's solution to move multiple issues into the CCE 3 initiative, which is on an extremely expedited timeline, is not the effective solution that CPUC Staff was advocating for.

We requested that the issues be discussed holistically at a combined stakeholder meeting so that stakeholders could understand the interactions between changes to commitment cost rules and Masterfile rules, and how resources may be subject to additional penalties under RAAIM based on the CCE 3 proposal, and whether or not the bidding rules initiative proposals alleviate any of these concerns. Furthermore, since the CCE 3 proposal is going to the CAISO board in March after only one additional two-hour stakeholder call, there is not sufficient time and opportunity for stakeholders to discuss these changes in an open and transparent process.

Furthermore, the RSI proposals are scheduled to go to the board in June, and the CCE 3 should be on the same timeline since these are now in fact a package of intertwined tariff amendments, which affect resource operations and potential for penalties. Since the timeline for RSI implementation is not until 2018, we urge the CAISO to take the time necessary to align the initiatives, and bring them to the CAISO board later in the year.

#### **Supply plan requirements for local RA and substitution rule:**

CPUC Staff appreciates the clarification of the current practice for outage evaluation and how the draft proposal would change it. The draft final proposal states,

“[t]he ISO proposes to create RA showings and supply plans for both the annual and month-ahead RA showings that indicate all the MWs of capacity that are providing local RA capacity. The ISO will use this new local RA showing to determine whether an LSE is sufficient on its local RA showings. Supply plans will also include a showing that identifies the specific MW quantity of local RA capacity the resource is providing. The ISO will validate local RA showings to verify that the SCs for resources and LSEs have accounted for capacity comparably on both showings. If there is a discrepancy between the RA showing and supply plan, the ISO will notify both parties. If the discrepancy remains unresolved the ISO will maintain its current practice of defaulting to the supply plan, but notifying both parties of the discrepancy.”

CPUC Staff are concerned about how this proposed change interacts with the RA program and what happens when the RA program's validations reach different conclusions. Mapping out all the potential implications has not been done throughout the RSI initiative process, and this is an incredibly complex issue wherein solving one problem could lead to many new ones being created. For example, this

change could exacerbate concerns about market power issues in local areas, because it would create further scarcity of local resources. If all the local resources are already contracted for, because some of them were contracted as system resources, then there would be nothing left for the “deficient” LSE to go out and buy the “local” attributes of.

CPUC Staff recommends that this initiative be put on hold until an in-person stakeholder meeting can be held at which CAISO and stakeholders discuss a series of hypothetical situations related to outage substitution for local/system resources, to determine all of the potential implications of the status quo vs. the current proposal.