

Comments on Revised Draft Tariff Language for Reliability Services Initiative

Department of Market Monitoring

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Section 40.9.2(c) of the draft tariff language for the reliability services initiative contains an exemption from the Resource Adequacy Availability Incentive Mechanism, or RAAIM, that appears to be inconsistent with the initiative's policy and intent. When a Scheduling Coordinator with an RA obligation combines two use limited resources to serve as flexible capacity, the tariff language in question exempts the resources in those combinations from the RAAIM. We recommend the ISO remove this exemption in order to align the tariff language with the intent of the policy developed during the stakeholder process.

An exemption from RAAIM results in a resource facing no CAISO penalty if it fails to meet its must-offer obligation. The exemption created by the tariff language in question seems to introduce a scenario where significant amounts of the flexible RA capacity in CAISO could be exempt from the RAAIM.¹ One of the issues that led to the development of the RAAIM was the recognition that a number of resources, including most use-limited resources, are effectively exempt from the enforcement of must-offer obligations. Including use limited resources in the RAAIM was understood as one of the design goals of this policy initiative. The exemption introduced in the tariff-drafting process is inconsistent with this policy goal and will allow many use limited resources to continue operating without a need to comply with must-offer obligations.

In previous comments, DMM has expressed its view that the RAAIM will not be fully effective until the opportunity costs of use limited resources are accounted for in cost estimates. This will allow use limited resources to bid in all hours of the day. The Addendum to the Draft Final Proposal created RAAIM exemptions for all use limited resources until the implementation of the opportunity cost methodology. Therefore, the additional RAAIM exemption for a combination of use limited resources introduced by the tariff process will not have any impact until the implementation of the opportunity cost methodology. However, after the implementation of the opportunity cost methodology, this additional exemption will undermine the goals of this policy initiative by hindering the effectiveness of the RAAIM.

¹ See section 6.2 of the straw proposal for more information, available at : <http://www.caiso.com/Documents/StrawProposal-ReliabilityServices.pdf>