

Stakeholder Comments Template

Black Start and System Restoration Phase 2

February 14, 2017 Straw Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the February 14, 2017 issue paper and the discussion at the February 21 stakeholder call. The straw proposal, presentation and other information related to this initiative may be found at:

http://www.caiso.com/informed/Pages/StakeholderProcesses/Blackstart_SystemRestorationPhase2.aspx

Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **February 28, 2017**.

Straw Proposal

1. Please comment on the RFP six step procurement process identified in the straw proposal for incremental black start resources:

The proposed six step process is:

1. The ISO, in concert with the affected PTO, develops a black start technical specification document that defines requirements and key selection criteria.

NRG comment: If the PTO is also a potential supplier of black start service, care must be taken to ensure that appropriate separation between the PTO employees that will be developing the technical criteria (and, presumably, evaluating the RFP bids) and those employees that will be responding to the RFP is maintained.

2. The ISO issues an RFP for incremental black start resources.

NRG comment: Ideally, prior to issuing the RFP, the CAISO would provide:

- The *pro forma* agreement under which it would take black start service;
- Information indicating where the black start service is needed (it is of no benefit for parties to submit an offer to provide black start service if their

unit(s) is (are) not located where black start service is needed or could be provided)

- A list of all NERC or other standards requirements with which the black start provider must comply. This will help ensure that the bids identify all costs, including incremental costs, which will be incurred to provide black start service.
 - The criteria which will guide selection of the black start generator(s).
3. The ISO provides the affected PTO the proposals for review and evaluation.
NRG comment: Please see comments under (1) above.
 4. The affected PTO applies the selection criteria and submits a written recommendation to the ISO with supporting analysis.
 5. The ISO reviews the recommendation against the selection criteria and approves or rejects it.
 6. If approved, the ISO initiates a contracting process with the black start resource and PTO.
2. Please comment on the ISO's proposal for compensation and cost allocation. Specifically, on whether the use of a transmission owner's reliability services rate schedule is an appropriate cost recovery.

The CAISO's proposal – to allocate the costs of the black start service to all transmission customers in the affected PTO's service area through the reliability services rate in that PTO's transmission tariff – is reasonable. While the pool of resources that can provide black start services likely is a subset of the resources within a particular geographical or electrical area within the PTO's service area, it is not clear what rate mechanism could be used to target the allocation of black start costs only within that electrical or geographical sub-area. Moreover, black start service is intended to facilitate the restoration of electric service to all customers within the PTO's service area. For those reasons, the CAISO's proposal is reasonable.

3. Please comment on the categories of costs the ISO should consider in connection with procuring incremental black start capability.

Costs would include:

- The costs of equipment that is required in order to be able to provide black start service, including communications, on-site power supply, fuel and fuel handling (if any);
- Incremental costs for providing the service, including start-up fuel, auxiliary power, and any other special costs associated with starting up from black; and
- Any additional costs associated with complying with the relevant standards and protocols, including the costs for periodic or random testing.

4. Please comment on the appropriate term for any contract to secure additional black start capability.

The term should provide for recovery of the incremental capital costs incurred to allow the unit to provide the black start service over a reasonable period, or should provide a termination fee that would provide for full recovery of all incremental capital costs by the resource owner in the event the CAISO terminates the black start agreement before such costs have been recovered.

5. Please also comment on whether any selection criteria should assess the likelihood that a resource will operate for the duration of the black start agreement.

It is reasonable to take into account whether a resource will remain in operation for the duration of the black start agreement when determining which unit should be selected to provide black start service, subject to ensuring that the PTO employees evaluating the black start service are free from conflicts of interest involving the PTO's own generation or procurement.