

Stakeholder Comments Template

| Submitted by | Company | Date Submitted |
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The California Independent System Operator Corporation’s (CAISO) Issue Paper on the Temporary Suspension of Resource Operations proposes changes to outage management processes.¹ The Office of Ratepayer Advocates (ORA) recommends that the scope of the initiative include consideration of the circumstances under which the CAISO may allow a resource to temporarily suspend operation for economic reasons. However, ORA recommends that the scope of the initiative exclude consideration of whether and what form of compensation the CAISO should pay a resource subsequent to a CAISO denial of a temporary suspension request.

1. Scope of Initiative

Please provide any comments on the scope of this initiative.

Comments:

The initiative will consider the circumstances under which the CAISO may permit a resource to temporarily suspend operation for non-physical reasons, including economic considerations. Additionally, the scope includes consideration of whether and what form of compensation the CAISO would pay a resource should a request for a temporary suspension be denied based on a reliability need.

ORA recommends limiting the scope of the initiative to consideration of temporary suspension for economic reasons. Specifically, the language of the scope of the initiative should be changed from the broader term allowing for suspensions for “non-physical reasons” to read for “economic reasons.” The information provided in the issue paper and the accompanying stakeholder presentation did not offer reasons for non-physical suspensions

¹ Temporary Suspension of Resource Operations – Issue Paper (Issue Paper), May 10, 2017, p. 3.

other than economic reasons. The term “non-physical reasons” is overly broad and could allow for suspension reasons not vetted by stakeholders in the initiative process.

CAISO should clarify the need to include consideration of whether and what form of compensation should be paid by the CAISO to a resource following a CAISO denial of a temporary suspension request. The CAISO may deny a temporary suspension request in situations where the suspension could result in unacceptable risks to grid reliability. However, procurement through the California Public Utilities Commission’s Resource Adequacy (RA) program should account for the contracting of resources necessary to maintain grid reliability. In rare situations where the RA program procurement fails to satisfy reliability needs, the CAISO already possesses procurement authority under Exceptional Dispatch,² Reliability Must Run Contracts³ and the Capacity Procurement Mechanism (CPM).⁴ The issue paper does not address the scenarios CAISO envisions that require a new mechanism for resource compensation. As detailed below, the introduction of an additional potential avenue for resource compensation would present unnecessary challenges.

2. Identified Issues

Please provide any comments on the issues that have been identified thus far in the initiative, including whether there are other issues that you would like to identify.

Comments:

The issue paper includes seven issues to be considered in the new initiative.⁵ ORA questions the inclusion of issue #2 that calls for determination of potential compensation that the CAISO would pay to a resource upon denial of that resource’s temporary suspension request. The issue paper does not demonstrate the need for a new avenue of resource compensation to guarantee grid reliability.

The proposed CAISO payments to resources denied temporary suspension of operations based on reliability needs may negatively impact the bilateral capacity market. The bilateral market requires negotiation of prices between resources and load serving entities (LSEs). CAISO payments following a denial of resource suspension creates an imbalance of power that may favor the resources in bilateral contract negotiations. Resources provided an option for compensation from the CAISO may become less motivated to contract with the LSEs. Additionally, generators could game the system by requesting multiple short-term temporary

² California Independent System Operator Corporation Fifth Replacement FERC Electric Tariff (Tariff), Section 34.11, May 2, 2017.

³ Tariff, Section 41.

⁴ Tariff, Section 43.

⁵ Issue Paper, pp. 7-8.

suspensions to test their need by the CAISO and the potential to gain higher payments. For example, a resource may gain insight into CAISO reliability needs by submitting suspension requests for a few months at different times of the year or one that spans two years. This information gives the resource a competitive advantage in bilateral contract negotiations with the LSEs.

Granting resources an option to temporarily suspend operations may provide an alternative to a permanent retirement when uneconomic conditions are predicted. However, the current RA program procurement provides a fifteen percent planning reserve margin and, along with the CAISO's backstop procurement authority under the CPM tariff, should negate a need to provide an additional source of revenue through temporary suspension policies.

3. Other Comments

Please provide any additional comments not associated with the topics listed above.

Comments:

ORA has no additional comments at this time.

ORA appreciates the opportunity to comment on the CAISO's Issue Paper on the Temporary Suspension of Resource Operations.