

Southern California Edison
Stakeholder Comments

**Reliability Service Initiative Draft Final Proposal, Published
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Submitted by	Company	Date Submitted
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Southern California Edison (SCE) appreciates the opportunity to comment on the California Independent System Operator’s (CAISO) RSI Draft Final Proposal that was published on January 22, 2015. The RSI proposes numerous changes to a variety of areas. While SCE is supportive of many of the changes, the large volume of changes and limited time frame to review them all may result in future comments and feedback from SCE covering these different areas.

There is one large area of the RSI proposal that concerns SCE at this time. Rule changes are needed to account for the decision to have different types of capacity with different must offer obligations¹. SCE has stated in the past that it does not support the differentiation in must offer obligations based on capacity type, but rather believes all capacity types are needed on the system to maintain reliability and should be treated with the same must offer obligations into the market. The strategy to force generators to economically bid into the market, rather than fix the issues that cause generators to self-schedule and not bid into the market, continues to create the need for complex rule changes as this policy is implemented.

The differentiation of must offer obligations continues to cause problems as rules are updated in the RSI. First, the RA AIM penalty has been developed in a way that charges the full AIM penalty to a generator that meets their system capacity obligations². Second, in order to make the accounting for all of the different must offer obligations feasible in a production environment, the CAISO is proposing to let generators provide different types of capacity but hold them accountable using a rule set that assumes all capacity provided by a generator is that

¹ System and Local capacity must be available to the CAISO while Flexible Capacity must submit economic bids into the CAISO market. Additionally, the capacity is evaluated for performance over different hours.

² A generator that is obligated to fulfill a system and flexible must offer obligation is still charged the full penalty when the generator fulfills the system obligations but not the flexible obligation.

of the highest quality³. SCE has tried to find solutions to these problem but all options result in some form of incentive misalignment to various degrees.

SCE urges the CAISO to fix issues in the market that cause generators to self-schedule rather than submit economic bids. A properly functioning energy market should result in rational market participating generators to economically bid their capacity in the market rather than be price takers with self-scheduling. The strategy to correct this problem by defining different must offer obligations continues to cause complex rule changes and misaligned incentive structures.

³ A generator that provides multiple types of flexible capacity will be evaluated as if all flexible capacity is that of the highest must offer obligation.