

## SCE Comments on Reliability Services Second Revised Straw Proposal

Submitted by	Company	Date Submitted
Martin Blagaich (626) 302 - 3302	Southern California Edison	2014-11-19

SCE appreciates the opportunity to submit comments on the Reliability Services Second Revised Straw Proposal. SCE generally supports the issues and proposed solutions identified in the proposal, but does have some concerns on specific sections. SCE's main comments, in summary, are:

- CAISO should modify the new AIM mechanism to base the penalty on all of a generator's obligations and not just the strictest obligation.
- CAISO should allow prequalification of resources that have a lower capacity than a RA resource.
- The ISO should not extend the RA showing timeline from T-45 days to T-50 days
- While not presently an issue, the CAISO should verify that implementation of new must offer obligations for distributed generation do not limit the ability of LSEs to aggregate resources.

1. Please provide feedback on Part 1: Minimum eligibility criteria and must-offer rules.

### **Changes to distributed generation must offer obligations should not limit the ability of LSEs to aggregate resources.**

SCE is concerned that changes to the must offer obligations (MOO) for distributed generation resources could impact the ability of LSEs to aggregate these resources. While there isn't any language in the current proposal that asserts the updated must offer obligations will limit resource aggregation, it is an issue that should be monitored and, if needed, addressed during the implementation of the MOO changes.

2. Please provide feedback on Part 2: Availability Incentive Mechanism.

**CAISO should find a durable mechanism to incentivize generation that does not disincentivize valuable system capabilities.**

In section 6.5.3, “the ISO proposes to have a single assessment and price for availability based on a MWs highest obligation.” While SCE appreciates the CAISO’s goal of simplicity behind this proposal, the proposal has flaws that should result in modifications or implementation being delayed until an adequate framework is developed in phase II of the RSI.

SCE believes the clause that requires generators to meet their highest obligation else receive the full penalty price to be flawed. In the past, CAISO has discussed that all capacity types (that is, system, local, and flexible) have equal value because being short of any type could have negative consequences on the CAISO system. However, the current proposal effectively values flexible RA higher than system and local RA. In other words, a generator that uses the same MWs to provide system RA as it does to provide flexible RA, but cannot meet its flexible RA obligations, will be penalized the same amount regardless if it fulfills its obligations for system RA. Additionally, the proposal creates a potential misalignment of incentives when flexible capacity is not available but system and local capacity from the same resource are available<sup>1</sup>.

SCE recommends that CAISO change the AIM penalty to be based on all obligations a generator has rather than just the strictest obligation. In effect, SCE is recommending that a generator not receive an AIM penalty if it could meet any of its must offer obligations. In addition to maintaining the simplicity of CAISO’s current proposal, this modification would maintain the equality of different capacity types since a generator will not be penalized if it could provide its capacity (of any kind) to the system.

If the modification to base AIM penalties described above is not implemented, SCE encourages the CAISO to delay implementation of the new AIM for flexible capacity until a adequate framework can be developed in phase II of the RSI.

**Section 6.13.1 should be modified to include the August 22, 2010 deadline extension date in the CAISO Tariff.**

CAISO tariff, section 40.9.2<sup>2</sup>, extends the deadline date for contracts to August 22, 2010 with respect to AIM payments. However, this language is not described in section 6.13.1 of the RSI. The CAISO should revise this section of the RSI to accurately reflect the tariff before the final draft RSI is published.

---

<sup>1</sup> For example, assume a generator is providing both flexible and system capacity with the same MWs but has a technical issue that only allows it to fulfil its system RA obligations. This generator may have an incentive to bid its energy at the price floor in order to fulfill its Flexible RA must offer obligations (the obligation for an economic bid) and avoid AIM penalties rather than report the outage of flexible capacity and simply self-schedule the resource for energy. This scenario would result in a resource avoiding AIM penalties while CAISO would be unaware of a reduction in flexible capacity on the system.

<sup>2</sup> [http://www.caiso.com/Documents/ConformedTariff\\_Nov1\\_2014.pdf](http://www.caiso.com/Documents/ConformedTariff_Nov1_2014.pdf)

3. Please provide feedback on Part 3: Replacement and Substitution.

**Prequalification should apply to resources that do not meet the resource adequacy resource's capacity.**

SCE appreciates the CAISO's willingness to address this issue at past RSI meetings and for agreeing to allow prequalification of resources for capacity that is less than a RA generator's capacity. While this change would not mitigate the entire AIM penalty, it would reduce the AIM penalty while providing additional reliability for CAISO.

**The ISO does not need to extend the RA timeline from T-45 days to T-50 days.**

SCE does not believe it is necessary to extend the RA showing timeline to begin 50 days prior to the operating month. SCE does not object to CAISO's reasoning for the longer time frame, that is, to streamline the monthly process and remove complexity. However, the extension of time pushes the one month ahead showing closer to two months out and is not required to achieve a streamlined process with reduced complexity.

One potential option to keep the T-45 day starting point is to overlap the CPM backstop process and the outage impact report. This overlap should have minimal effects on complexity because 1) there is a small probability that a CPM backstop will be needed, and 2) any CPM backstop that is needed will likely be small and not affect the outage impact report.

SCE believes with this minor change it is possible to keep the CAISO's objective of a streamlined and reduced complexity RA process without having to push back the starting point to T-50 days.

4. Please provide feedback on the proposed Phase II of the RSI.

SCE generally supports the issues the CAISO has identified for phase 2 of the Reliability Service Initiative. However, if the recommended modifications to the AIM, as discussed above, are not implemented, then SCE recommends to delay implementation of the new AIM until an adequate framework can be developed in phase II of the RSI.

SCE also supports the CAISO's decision to add in to the scope of Phase II the initiative to separate local and system showings. This is a challenging issue that will benefit from increased time and stakeholder participation.