



Reliability Services Stakeholder Process

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Key Questions and Principles as we Participate

- What **must** be accomplished in Phase I?
 - Replacement for CPM expiring in Feb 2016
 - Integration of “flexibility” into RA space, including NQC (?)
- What do we **hope** to accomplish in Phase I?
 - Adopt new accounting rules for various types of resources for System/Local/Flexible RA?
 - Refine must-offer, replacement and penalty rules?
 - Create short-term capacity markets (voluntary and mandatory)?
- What principles will guide SCE?
 - Clearly understand and articulate specific problems that need solutions
 - Avoid unwarranted complexity (e.g. limit flavors of flexibility); seek to simplify existing program design
 - Clearly understand the role spot markets, rather than RA, play as part of the solutions
 - Market solutions are preferred only where the conditions for competitive market exists

Initial Observations

- RA is a planning exercise
 - Role of RA: Provide the CAISO with confidence that sufficient resources are committed to its market to maintain a reliable grid
 - RA makes sure enough of the right “steel is in the ground”
 - Spot markets should ration the steel and attributes
- Why do we need complex new must-offer rules for flexible RA?
 - Is the problem the fear of excessive self-scheduling?
 - If yes, can the CAISO provide data on the current degree of self-scheduling? (By technology types, and for gas distinguish between self-schedules of min-load and dispatchable capacity?)
- If the CAISO wants access to additional capacity, first consider revisions to existing substitution and penalty rules
 - Current penalty structure encourages parties to “show” the CAISO the minimum capacity needed for compliance; excess showings should not face penalties

Conclusion

- We remained concerned over the potential scope and timing of this initiative
 - Any single sub-issue (backstop capacity market design, NQC accounting, must-offer, penalties, replacement rules, ...) could easily consume the entire time allotted
 - Scope must remain focused and timing must be realistic
- We remain concerned over unnecessary complexity
 - Particularly with prospect of multiple forms of Flexibility and multiple must-offer requirements
 - Seek a reasonable (not perfect) solution that can work within the existing bilateral framework
- We remain concerned over the need for close coordination between the CPUC and CAISO
 - Current design has gaps between the CPUC's and CAISO's implementation
- We remain committed to work with both the CAISO and the CPUC to make reasonable modification to RA that address well defined and demonstrated problems