Stakeholder Comments Template

Subject: Reliability Services

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Draft Straw Proposal for the Reliability Services initiative that was posted on June 5th, 2014. Upon completion of this template please submit it to RSA@caiso.com. Submissions are requested by close of business on **June 26th, 2014**.

General Comments
SDG&E appreciates the opportunity to comment on the straw proposal. SDG&E looks forward to the continuing discussions on this initiative.

Due to the growing complexity of the RA program and all other ISO systems that are tied to the RA data, SDG&E recommends the ISO to consider creating application programming interfaces (API) into ISO's CIRA application to allow all market participants to submit and retrieve data using software that can interface with the ISO. This option will allow market participants an easier option to perform all of the necessary tasks associated with the RA program.

1. Please provide feedback on Part 1: Minimum eligibility criteria and must-offer rules.
    a. Comments on proposal portion of section
        i. Eligibility criteria
        SDG&E believes the criteria is reasonable
        ii. Must-offer requirements
        SDG&E believes the MOO is reasonable

    b. Comments on phase 2 consideration items
        i. Intertie resources
        SDG&E strongly recommend these resources be considered in phase 1.

        ii. Block dispatchable pumping load

iii. ISO dependence on MCC buckets

SDG&E believes the ISO should improve its internal systems, processes and templates to account for use-limited resources which may only operate certain hours or days of the month. Once the ISO systems can better track these resources, the MCC buckets may not be needed rather than be reevaluated in ISO space.

c. Other comments

SDG&E believes that the only subset of hours contracts result from intertie RA contracts rather than internal resources. SDG&E requests ISO provide historical information that internal resources were contracted for only certain hours of a day. SDG&E does not support an hourly granularity for RA requirements and RA supply. The current daily granularity for the RA program along is sufficient for the ISO to manage the fleet to meet a peak requirement.

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

a. Comments on the general direction of the design

SDG&E agrees that there should be an Availability Incentive Mechanism to incent resources to be operationally available. However, as proposed, the program does not incent but rather penalize a resource for its availability. This is primarily due to the fact that the incentive is funded by the charges. Thus the incentive is not guaranteed. A true incentive program would have a guaranteed incentive or target amount monthly to be shared by resources that were available. This incentive could then funded by the non-availability charges assessed to non-available resources. There would be a balancing account such that any surplus charges would roll into the following month while any deficits would allow the ISO to lower the target incentive amount.

b. Comments on design features

i. Bid-based assessment

As Calpine noted during the meeting, this measurement is just the opposite side of the availability coin where the SCP mechanism only focuses on forced outage data. However, with the obligations of flexible RA resources as well as future demand response resources, forced outage information is not accurate measurement for assessing the bidding obligation. SDG&E also does not believe there is a simpler method for the ISO to determine compliance of economic bids rather than self-schedules. Thus focusing on the bid is appropriate so that the ISO does not have to breakout the flexibility and generic attributes of one MW of capacity.

ii. Fixed availability percentage band

In the FERC order accepting and rejecting parts of SCP, the Commission agreed that basing the standard on the past performance of the RA fleet was a better measurement than a specific number. “This ensured that each resource is measured by a fair and achievable standard that will stay

relevant as market conditions change." Having one standard for the entire fleet could unduly favor or punish one resource. SDG&E recommends the ISO to reconsider the reasoning of using a fixed availability target.

The Planning Reserve Margin holds a 7% requirement for Forced Outages. SDG&E would like the ISO to consider whether the availability metric should be 93% if fixed. The ISO should also consider removing the tolerance band above and below the standard metric. This could limit the amount of funds Load receives when no resources achieve above the availability threshold.

While this may seem trivial to move dollar amounts from one resource to another, the actual accounting is very simple in the ISO's system. SDG&E would like the ISO to provide all of the bidding data used in the availability calculation to SCs for validation. Not doing so will cause SCs to not be able to accurately validate the ISO's settlements and increase the amount of settlement disputes created.

iii. Single assessment for flexible and generic overlapping capacity

SDG&E believes that a single assessment is appropriate for overlapping capacity when such capacity is bid into the markets and not self-scheduled. However, in the case when the capacity is NOT overlapping, ISO is not calculating the availability assessment based on the higher of the combined capacities. SDG&E recommends that since the ISO's availability metric is based at an hourly level, the availability could be based on a dynamic capacity value.

iv. Other features

SDG&E believes that the ISO should apply incentives and penalties to all types of RA capacity. This should not be limited to only RA capacity that is shown on an RA plan. Any capacity, whether it is CPM or substitute or replacement capacity, should receive an incentive or a charge for the capacity. The original resource that goes out on forced outage, should not receive an incentive based on the availability of the substitute unit at all.

The ISO should consider having a cap to the incentive a MW of capacity may receive compared to the rate at which the non-availability charge is assessed. In the original SCP order by FERC, the Commission agreed that a cap was a reasonable way to avoid windfall payments to a limited set of RA resources.

SDG&E does not believe that any surplus incentives not claimed by generators should be allocated to load. The incentives are funded by generators and load does not affect a resource's maintenance or performance. Rather load depends on generators to be available in time of need. SDG&E would like the ISO to expand on how much of the historic

availability funds were distributed to Load each year. This could provide some context as to the amount of incentives needed for each month.

c. Comments on price

SDG&E is interested in further discussion on the incentive mechanism price. SDG&E does not believe that the capacity contract data from the CPUC achieves the goal of reflective of market conditions. The CPUC report blends many contracts executed within a single year to come up with an average price. However this weighted price does not provide a reference to the month or year of the capacity. This does not represent market conditions of the operating month in which AIM is targeted.

d. Comments on capacity and resource exemptions

Section 40.9.5 requires RA resources with Pmax between 1MW and 10MWs that are not required to report Forced Outages within 60 mins of discovery to provide equivalent availability-related information at the end of the calendar month. Section 8.1 of the Outage Management BPM further details that such reporting to be performed no later than 3 business days after the end of the calendar month. If the ISO were to base the measurement only on the bid data, those resources would consistently be at 100%. SDG&E believes that the ISO should consider including such outage information data into the availability assessment for those resources.

With regards to grandfathering, the original exemption adopted by FERC based on existing contract language which penalizes resources for not being available. Such language is expected to still exist if the ISO's new AIM is adopted by FERC. The ISO should consider allowing resources to seek a continuation of the exemption if they were on the original list. Perhaps with a guaranteed incentive mechanism rather than one that's dependent on the failures of other resources would result in more resources participating in the AIM.

e. Other Comments

Based the follow-up call on June 23rd, the ISO proposes to measure availability of wind and solar resources using the ISO or SC's provided forecast and bid. This methodology is different from the availability calculation for all other resource types. All other resources are limited to 100% of its NQC shown while a renewable resource would be paid 120% if the resource were shown at 100% level in the ISO's example. A wind and solar resource could also be committed for 1% of its NQC and would be able to be paid based on greater than 100% of its NQC as there does not seem to be a limitation to this methodology. The ISO explains that the renewable resource's NQC is based on generation history and performing below its NQC amount effectively lowers the resource's future NQC. The ISO seems to not want to "double penalize" such a resource. Yet the opposite would be also true. The resource could perform above its NQC and raise the resource's future NQC. In such a case, the resource would be "doubly rewarded" for its performance. ISO's proposal for AIM should not be concerned with the contracts and payments from LSEs to resources. SDG&E recommends

the ISO treat all resources the same and calculate the availability using the same metric. Perhaps the ISO could consider assessing the availability percentage using the forecast and bids while the capacity volume is based on the NQC.

Further, to the extent that a renewable resource's forced outage capacity affects the NQC of the resource, that capacity amount should be considered unavailable. In fact this method should be used for all resources which derive its NQC based on historical output. In phase two, when the assessment hours are expected to increase, the ISO should consider that the availability only apply to the hours in which use-limited resources are able to provide energy. This would be more equitable so that resources that are unable to provide energy during certain hours are not rewarded.

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

   a. Comments on scope

   Replacement and substitution rules have become a very complex process as well as topic. In the most current ISO's initiative for the OMS Replacement, the ISO changed and created many rules for generation outages to match that of transmission outages. The ISO's original intent was to not make any changes which might impact the generators financially. However, during the draft tariff language call, certain policies were changed which will impact generators financially. The ISO is expected to submit these proposed changes with FERC at the end of the month.

   SDG&E believes that making changes to the entire replacement and substitution process is too big of a task for phase 1. SDG&E recommends the ISO continue to discuss the level of changes it is willing to make to the process for phase 2. SDG&E welcomes an entire overhaul of the replacement and substitution rules to simplify the process and rules. For phase 1, the ISO should focus on replacement/substitution requirements for flexible resources.

   b. Comments on replacement and substitution issues

      i. Complexity

      The current RRSGO rules created much of the complexity market participants today. LSEs should not have the market sensitive knowledge of a supplier outage for an RA contract. The ISO should only focus on the capacity that is committed in the showing. SDG&E believes the terms of Specified RA, Non-Specified RA, Maintenance Outage with replacement, Maintenance Outage without replacement, Off-peak Opportunity Outage, Short Notice Opportunity Outage, Forced Outage exempt from SCP and Forced Outage not exempt SCP are all very confusing and should be retired.

      ii. CPM designation risk

There should not be a CPM designation for outage replacements. The ISO should provide a mechanism for resources to procure the replacements. The current bulletin board is ineffective.

iii. Resource leaning

This aspect of the rules creates much of the complexity because it allows LSEs and resources to not have to replace all outages. Because this is an option, LSEs and resources will lean first and replace later when required. For the ISO operators, they must check to the total system capacity before approving any outage without replacement. SDG&E believes that the ISO should consider not allowing leaning at T-45 but placing the requirement on the suppliers rather than LSEs, allowing leaning in the post T-45 time frame, and extending leaning to all Forced Outage time frames.

iv. Other issues

Much of the replacement determination is a black box to the LSEs and suppliers. There are no processes set aside to ensure the ISO operators are treating all LSEs and suppliers equally.

c. Comments on flexible replacement proposal

SDG&E believes the replacement requirement will be more difficult since one resource can be shown for all three categories. The ISO should provide more details on how operationally this will occur.

d. Comments on flexible substitution proposal

SDG&E believes the substitution will be more difficult since one resource can be shown for all three categories. The ISO should provide more details on how operationally this will occur in real time.

e. Other comments

SDG&E, as a supplier, recommends that the responsibility of replacement is assigned to the supplier. This will resolve much of the operational complexity that is currently in the process. The ISO will not have to go to multiple LSEs to find replacement capacity for one resource. That being said, the ISO should create a mechanism to allow suppliers procure replacement capacity. Without such a mechanism, it could be difficult for some suppliers to procure replacement capacity. The ISO could continue allow LSEs to provide the replacement capacity for the supplier at the time of the showing. The ISO could consider using unused LSE import allocations to allow intertie resources to provide replacement capacity.

How important is Unit Substitution to the ISO? Is the process of submitting substitutions complicated and burdensome for the ISO? Can the ISO allow resource leaning in the Forced Outage timeframe? It seems that this is a possibility based on the ISO's newly proposed Forced Outage exempt from SCP charges. SDG&E would recommend allowing resource leaning during the Forced

timeframe and require replacement only when needed. Perhaps the resource would pay an average cost of capacity that is offered into the ISO's mechanism.

4. Please provide feedback on Part 4: Capacity Procurement Mechanism.

   a. Comments on index price
   Similar to the reasons noted in the pricing for the incentive mechanism, SDG&E does not believe CPUC's prices are representative of the market event.

   b. Comments on competitive solicitation process
   SDG&E supports a continued discussion on the competitive solicitation process. SDG&E does not believe the initial offers should be due at the same time as the compliance showing. This increases the tasks that would be required for that compliance due date (certainly at the year ahead time frame). SDG&E recommends the initial offering be due a minimum of 5 days after the compliance date. SDG&E believes that the ISO should consider allowing suppliers to offer in a monotonically decreasing price curves rather than a single offer price for all MWs. This should offer the ISO with greater flexibility in selecting the volume it needs.

   c. Comments on other changes potentially needed to CPM
   SDG&E does not believe an intra-month process is needed for a CPM designation. The time for ED and significant event designations is too short to re-run such a process. Perhaps the ISO should consider locking a price in the month ahead process to be used for the intra-month process.

   d. Comments on CPM price

   e. Comments on supply-side market power mitigation measures

   f. Comments on demand-side market power mitigation measures

   g. Other comments
   SDG&E believes that the ISO should only consider a resource for risk of retirement designation if the resource participated in all of the ISO's CPM solicitation processes throughout the year. A requirement for the resource to have participated in LSE RFOs is difficult to validate. The ISO should also consider whether the resource bid into the ISO's markets for all capable hours within the year should be a requirement.