

# Revised Reliability Services Straw Proposal

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SDG&E appreciates the opportunity to comment on ISO's Revised Reliability Services Straw Proposal. SDG&E is generally supportive of ISO's revised proposal. SDG&E would like to comment on certain elements of the revised proposal to seek clarification and better understanding.

## Minimum Eligibility Criteria and MOO

SDG&E remains unconvinced for the need to change RA from a daily product to an hourly product. SDG&E has not seen any hourly products in the market associated with CAISO resources. The only hourly products that do exist are based on inter-tie capacity which is paired with an import allocation. This is primarily due to the fact that energy products are structured around On-Peak and Off-Peak hours.

## Availability Incentive Mechanism

### *Availability incentive standard percentage*

SDG&E understands why the ISO proposes to use 96.5% as a standard availability metric. However, SDG&E questions whether the data is skewed due to unit substitution. To the extent a supplier provided a substitute resource for a forced outage, the availability of the resource is considered to be 100%. If this is the case, then the actual unit would be lower and the standard metric should potentially be lower as well. Also, since the proposed availability is based on bidding, the metric should be based on historic bidding data rather than forced outage data. SDG&E understands that actual bidding data may be difficult to differentiate when there is automatic bid insertion in SIBR. However, ISO's proposed metric does not actually line up with the dataset to justify the metric.

### *Availability incentive price*

The ISO currently does not pay the CPM resource when the resource is on outage. SDG&E recommends decoupling AIM and CPM. This would not allow a CPM resource to arbitrage its CPM payment and an

AIM penalty for not bidding. A CPM resource would be paid based on its own availability and its offer price.

#### *Wind and Solar Resources*

SDG&E believes the ISO's exemption of Wind and Solar resources is unreasonable when such resources are shown as generic RA. ISO reasons that since the resource's historical output influences the NQC, the resources are already incented to perform during their must-offer hours. There are two issues with the ISO's reasoning. First, for resources whose QC is based on historical data, the CPUC inserts proxy data rather than using actual meter data for the resource when the resource is on outage. This proxy data is the average of the values for the same hour on the same calendar day for the other years in the data set. The insertion of proxy data does not affect the resource's QC calculation as much as the ISO believes. Second, the current exceedance methodology is expected to be replaced with the ELCC methodology starting the 2016 compliance year at the soonest. ELCC methodology is not based on historical output but rather the aggregate of similar generation on the system.

#### *CHP Resources*

For the same first reason stated in the Wind and Solar Resources comments, SDG&E believes that CHP resources should not be unilaterally exempt from AIM either. The resource is not being double penalized under the AIM as well as its QC calculation. However, the resource may be penalized in its existing contract for non-availability.

Unilateral exemption of resources based on technology type contradicts the purpose of AIM which is to incent ALL suppliers to maintain resources to limit forced outages which may impact grid reliability. By exempting such resources, the ISO is disregarding its own goal for establishing the mechanism.

It may be difficult to measure the availability of resources whose QC is based on historic data. SDG&E suggests the following:

#### *Wind and Solar Resources*

For both generic and flexible RA, calculate the total MWhs of energy and bids produced and submitted in the month and divided by the total MWhs of RA and Flexible RA shown on the monthly plans. This availability is capped at 100%. The calculated availability is combined with the NQC data to assess charges or incentives.

#### *CHP Resources*

The availability of CHP resources could be measured against its Use-Limited Resource Template data. If the resource did not submit a bid during the time it was registered for, then the availability for that hour is 0%. Any partial bid would result in a non-zero percentage based on the ULR template data. This

availability percentage is ultimately combined with the NQC data to assess charges or incentives of the resource.

It is unclear if substitute capacity will receive its own AIM penalty or incentive rather than supporting the original resource on forced outage. SDG&E recommends the former which is more inline with FERC's decision in the Many for Many substitution ruling. This may require discussion on how a substitute resource is paid for providing 1 day of capacity while the standard availability metric is calculated based on an entire month's bids.

SDG&E believes the ISO has left out inter-tie resources as part of the AIM design. Inter-tie capacity receives its own availability calculation and should continue to do so.

#### Replacement and Substitution

SDG&E appreciates the ISO providing a 2 phase roadmap for redesigning the replacement process. SDG&E believes this is a good step in the right direction to simplify the RA replacement process. SDG&E's comments are separated into the two time frames as proposed by the ISO.

#### *2016*

SDG&E understands the ISO wishes to extend some of the current substitution rules to the planned outage for 2016. SDG&E would recommend that such requirements to be enforce after the T-45 showing. The T-45 showing is when the ISO receives its portfolio of resources from LSEs. LSEs should be allowed to provide its portfolio of resources it has procured to satisfy the month ahead system requirement. The system RA requirement is agnostic as to the type of resources that have a must offer. As an example, suppose an LSE provided the less than optimal replacement capacity as Designated capacity during the T-45 showing such that the LSE met its system RA requirement net of the outage, the ISO would not require the replacement and thus would depend on the entire portfolio of resources to meet the system requirement. SDG&E does not see the need to have such a requirement at the T-45 showing.

SDG&E would like the ISO to consider allowing new Designated resources at T-11. Currently, LSEs are not allowed to provide new incremental D resources at T-11 in order to effectively increase the capacity to meet the daily requirement. Allowing incremental D resources would provide the system with surplus capacity above the requirement on certain days while meeting the requirement on others when there are outages. This would increase the RA capacity and may decrease the amount of replacements required during the operating month.

#### *2017 forward*

SDG&E agrees that changing the replacement responsibility to the Supplier would resolve a majority of the issues that revolve around the current processes. SDG&E recommends the ISO consider creating a process to provide Suppliers greater access to procure replacement capacity. This process may supplement the ISO's AIM proposal. The ISO would replace the capacity for the Supplier in the day

ahead process assuming the Supplier did not already do so and charge the Supplier for the replacement capacity of the outage.

Another consideration would be to allow Suppliers access to unused Import Allocations of LSEs for the compliance month. While this may seem like inter-tie capacity is being used to replace CAISO resources, it is not. LSEs currently are able to provide inter-tie capacity to meet the system requirement. When the responsibility shifts, Suppliers will not have access to the import allocations to provide RA capacity. The ISO should not prevent itself from much of the intertie capacity which it has depended on to meet RA requirements.