

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 Second Revised Draft Straw Proposal for the Reliability Services initiative that was posted on October 22, 2014. Upon completion of this template please submit it to RSA@caiso.com. Submissions are requested by close of business on **November 19, 2014**.

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

SDG&E has no comments at this time.

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

The ISO proposes to assess resources based on capacity shown on a Supply plan. SDG&E would like the ISO to clearly state that the assessment also includes capacity used for replacement and substitution for other resources. This could result in a resource having varying MWs levels of RA capacity throughout the course of the month and would not be the same as the capacity shown on a Supply plan. SDG&E would like to request the ISO to provide all of the bidding and RA information for each resource that was used in the availability calculation in order to validate settlement statements.

SDG&E supports the two phased approach for the AIM mechanism for generic capacity.

SDG&E would like the ISO to clarify its proposal for how the incentive payment is calculated. In the previous meeting, the ISO stated in the previous meeting that it wishes to incentive and penalize a flexible MW more than a generic MW. In the example excel file provided by the ISO, the generic MW is indeed capped on the AIM for 21 out of 31 days while flexible MW is bounded to 31 out of 31 days of the same month. SDG&E believes this is an error for generic capacity. If the resource is 0% available, then the resource should be penalized at the full 94.5% unavailability factor rather than $(21/31 \times 94.5\%)$ or ~64% of the total penalty. Similarly, for phase 2, if the ISO proposes to change the MOO for generic capacity to 24 hours and 7 days per week, then the generic MW should be incentivized more than a Category 1 flexible MW because it has more hours of MOO over the 31 days. SDG&E would prefer to have this mathematical

issue resolved in this phase of the discussion and limit the discussion to the hours of MOO for generic capacity in phase 2.

SDG&E would like the ISO to walk through an example for a Category 3 flexible MW that is also generic. Since the MWs are non-overlapping, SDG&E would like to understand if the resource would be incented or penalized twice for each individual requirement.

SDG&E strongly opposes the two new requirements for grandfathered resources which would seek continued exemption under the AIM. FERC accepted the reasons for grandfathering without need for such requirements for SCP. SDG&E fails to see the need to have these requirements for effectively an extension of grandfathering in AIM.

The ISO should not exempt all resources from AIM for generic capacity because these resources all contribute to grid reliability. Broadly exempting these resources is unreasonable when all other resource types are expected to meet a higher standard. Instead, the ISO should create criteria for which resources could request to be exempt from AIM.

SDG&E believes the ISO inaccurately based its decision for exemption on comments from LSA as well as reviewing pro forma contracts of IOUs. The ISO indicated that it reviewed SCE's LCR RFO for RPS resources. In the pro forma contract, the renewable resource bid an all-inclusive price in \$/MWh. SCE receives any and all RA capacity attributes from that resource. However, if the resource does not qualify or receive RA NQC, a RA deficit payment is netted from the monthly payment to the generator. This means that renewable resources are already compensated for its capacity and only when the NQC is 0 does the resource not receive compensation for non-existent RA capacity. The fact that an all-in payment is slightly different from a capacity plus energy payment of other resource type contracts does not provide sufficient reason broadly exempt these resources.

The ISO acknowledges that the only way to assess renewable resources under AIM would be to use the resource's forecast as a baseline comparison. SDG&E proposes that if the forecasted amount is less than the RA amount, then the ISO should simply count the forecasted amount against the RA amount for availability. If the forecasted amount is greater than the RA amount, then the resource is fully available. The amount of capacity that will be used to determine the AIM incentive or payment should be the RA amount. This is fair and balanced while properly incentivizing resources to "perform to support reliable grid operations."

Similarly, CHP resources should not be broadly exempt from AIM based on the reasons provided by the ISO. Referencing back to SCE's pro forma for CHP resources, the resource's capacity payment is again not based on RA NQC but rather a Net Contract Capacity amount which is the sum of the resource's Firm Contract Capacity and As-Available Contract Capacity. This value differs from the resource's NQC because it is an operational limitation rather than a historically calculated limitation. Since the CHP resource's historical performance excludes forced outage data, the RA NQC of the CHP resource is not actually being penalized. Energy Division has to provide proxy generation data for the CHP resource. SDG&E recommends that if the contract with the CHP resource qualified for grandfathering under SCP, then the same

exemption should continue for AIM for the original term of the contract. Once the term is finished, the resource should be incentivized to support grid reliability.

The same reasons would also apply to QFs. If the QF contract qualified for grandfathering then that contract should qualify for an exemption for the initial term of the contract.

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

SDG&E supports the direction of several of the proposed changes to replacement and substitution rules for 2016. These include the sections 9.2.1 through 9.2.6. However proposal details are missing from sections 9.2.2 through 9.2.5 since the ISO is still assessing its own capabilities. SDG&E would like the ISO to provide more details in its next proposal. Particularly it seems 9.2.4 is a duplicate of 10.3.7 and SDG&E is unsure when the “compatible bus” will be scheduled for implementation.

SDG&E repeats its request for the ISO to consider surplus resources which are listed on the LSE’s monthly RA showing to be used for the resources listed on the LSE’s plan. Not all LSEs are able to only show a portfolio of resources which exactly meet the planning reserve margin. This is due to a combination of ISO’s requirements for all LSEs to have their monthly Local RA requirement be the same as the August Peak Local requirement as well as CPUC RA filing rules based on ISO’s requirement to have the same resource portfolio mix every month due to an effectiveness factor concern. The ISO in the past has requested the CPUC to keep the monthly Local RA requirements flat year round. This in turn created the requirement that the portfolio of resources contracted for in the year ahead compliance showing must remain static due to the resources’ effectiveness factor in resolve certain Local deficiencies. This causes certain LSEs to have a higher monthly Local RA requirement than the monthly System RA requirement. So for those LSEs that have provided surplus RA above the monthly System RA requirement even net of outages, the ISO will cause those resources listed the LSE’s plan to potentially provide FULL RA replacement beyond the LSE’s requirement whereas the ISO would only require replacement up to the LSE’s system requirement today.

If the ISO believes it is no longer necessary for LSEs to have static monthly Local RA requirements, SDG&E requests the ISO to notify the CPUC via the most recent RA OIR for RA planning year 2017 and change this rule. SDG&E will support the ISO at the CPUC for changes to this requirement. SDG&E believes this can be accomplished in 2016 for the 2017 compliance year.

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

In the previous meeting, the ISO indicated that in Phase II of RSI, a flexible resource that has split its commitment into two or more categories will have the most stringent MOO. SDG&E does not support this proposal because it hinders potential market revenue of certain awards which are outside of the hours of the respective MOO. SDG&E would like to continue this particular discussion for Phase II.

SDG&E is also interested in the separation of Local and System attributes for Forced Outage replacement for Phase II. SDG&E is concerned with how LSEs or even suppliers may contract

for only the Local attribute of a Local resource and the effects on CPM and other downstream processes.

SDG&E would like the ISO to add to the scope in Phase 2 how suppliers may be able to utilize unused intertie capacity for replacement capacity.

Thank you.