

# 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](mailto: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.

The Six Cities support the ISO's proposal to apply the same availability/eligibility criteria and must-offer requirements for a resource classification of distributed generation facilities (defined as including all generating resources connected to the Distribution System of a Utility Distribution Company) as those applied to the same resource classification interconnected to the ISO Controlled Grid. (See 2<sup>nd</sup> Revised Straw Proposal at 15-16 and 23.)

The Six Cities have no comments at this time on the proposed eligibility criteria and must-offer requirements for non-generator resources and Proxy Demand Resources.

The Six Cities support in concept the ISO's proposal to require Load Following Metered Subsystems ("MSSs") to provide Flexible RA capacity to support Variable Energy Resources ("VERs") that are not included in the MSS resource portfolio used to follow the MSS load. (See 2<sup>nd</sup> Revised Straw Proposal at 21-23.) However, it would be unjust, unreasonable, and unduly discriminatory to limit this requirement to VERs contracted to Load Following MSSs that are not included in the load following resource portfolio while failing to apply such a requirement to VERs that are contracted to serve load outside the ISO's Balancing Authority Area ("BAA"). Just as VERs contracted to a Load Following MSS but not included in the load following resource portfolio may impose variability on the ISO system that is not addressed through the MSS's load following process, VERs used to supply load outside the ISO BAA impose variability on the ISO system that is not compensated for under the Flexible RA requirements. There is no principled reason for treating such resources differently. In the FRAC-MOO process, the ISO declined to address the variability effects imposed by VERs contracted to serve load outside the ISO

BAA. *See, e.g.*, the ISO's Comments/Response Matrix on the Fifth Revised Straw Proposal Stakeholder Comments. The ISO has not provided any analysis showing that VERs contracted to Load Following MSSs but not included in the load following resource portfolios impose any greater variability on the ISO system than VERs contracted to serve load outside the ISO BAA or that there is any other legitimate basis for differential treatment of such resources. Consistent rules should apply to compensation for variability, either through provision of Flexible RA capacity or under a load following portfolio, for all VERs located in the ISO BAA.

The Six Cities also believe that the ISO's proposal to require a MW for MW amount of Flexible RA capacity for VER resources contracted to a Load Following MSS but not included in the load following resource portfolio (*see* 2<sup>nd</sup> Revised Straw Proposal at 22) is unreasonably burdensome. The ISO acknowledged during the October 29, 2014 stakeholder meeting that the flexibility need imposed by such resources would be less than 1 for 1 but indicated that it was unsure how much less. The Six Cities suggest that it should be possible to develop a flexibility requirement for such resources that is less burdensome than 1 for 1 based on the ISO's analyses of the impact of different types of VERs on system flexibility needs as part of the needs assessment. Again, however, requirements to provide Flexible RA capacity to address variability of VERs should apply consistently to all VERs located in the ISO BAA.

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

The Six Cities support the following elements of the ISO's proposal for the Availability Incentive Mechanism:

- Exclusion of use-limited resources from the AIM assessment once a use-limitation is reached;
- Monthly assessment of resource availability;
- The proposed AIM price of \$3.50/kW-month;
- Exclusion of capacity on a planned outage for which replacement capacity has not been required from the AIM assessment;
- Retention of the current 5-hour assessment period for system and local RA resources;
- Capping payments to resources that exceed the performance assessment band at 3 times the AIM price;
- Conducting a single assessment for generic and flexible capacity;
- Funding payments to over-performing resources exclusively though charges to under-performing resources;
- Assessing availability based on submission of bids;
- Applying a standard availability performance band of 96.5 +/- 2%; and
- The proposed treatment of pre-June 28, 2009 contracts.

The Six Cities request clarification (or modification) that the statement at page 50 of the 2<sup>nd</sup> Revised Straw Proposal regarding application of the AIM to Proxy Demand Resources in the Super-peak Flexible RA category that have been dispatched for five days in a month will apply to all Super-peak Flexible RA resources, so that any Super-peak Flexible RA resource may submit a non-environmental use-limit reached outage (if desired) after it has been dispatched for five days in a month.

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

The Six Cities support the ISO's efforts to reduce complexity in the replacement and substitution rules and generally support revision of the replacement/substitution timeline to separate the monthly RA process (in which LSEs will be responsible for necessary replacement) and the outage management process (in which suppliers will be responsible for replacement or substitution). The Six Cities specifically support the following elements of the 2<sup>nd</sup> Revised Straw Proposal relating to replacement/substitution:

- Changing the deadline for submission of Day-Ahead substitute capacity to 8:00 a.m.;
- Allowing substitution for Flexible RA capacity based on the ability of the substitute resource to comply with the Flexible RA category must-offer requirements of the resource on outage;
- Allowing Real-Time substitution for system RA;
- Relaxing substitution rules for local RA;
- Proposed development of rules to allow system resources to provide substitute capacity for local resources not shown as local RA; and
- Releasing replacement/substitute capacity from RA obligations if an outage moves.

The Six Cities are concerned about the statement at page 78 of the Second Revised Straw Proposal that after T-25 (when the replacement/substitution responsibility shifts to suppliers), the ISO will not consider whether the LSE that has contracted for a resource is short or long but will stack outages on a last-in/first-out basis and require replacement until the system is no longer short. A consequence of this is that an LSE may be required to provide replacement or substitute capacity for a resource on an outage even if it has enough other capacity to satisfy its RA requirements. The Six Cities believe that stakeholders would benefit from further discussion of this point. In particular, the ISO and stakeholders may wish to consider whether an alternative to the proposed stacking approach that more closely aligns with the principles of cost causation could be developed.

Finally, the Six Cities note that the proposed timeline (*see* 2<sup>nd</sup> Revised Straw Proposal at 78), which provides for acceleration of the cure period and CPM procedure to prior to T-25, may be overly strict. This aspect of the proposal also warrants further discussion to determine if additional flexibility on timing may be available.

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

The Six Cities have no comments on RSI Phase II issues at this time, except as included above.