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Comments of the Small POU Coalition on the August 19, 2015 Reliability Services Initiative – Phase 2 Straw Proposal

The Small Publicly Owned Utility Coalition (“Small POU Coalition”) respectfully submits these comments in response to the August 19, 2015 Reliability Services Initiative – Phase 2 (“RSI2”) Straw Proposal. The RSI2 Straw Proposal covered proposed modifications to the California Independent System Operator Corporation’s (“ISO”) Resource Adequacy (“RA”) rules and described efforts to clarify the RA process. These RA efforts were also the subject of an August 26, 2015 RSI2 Straw Proposal presentation. Both the Straw Proposal and subsequent presentation noted that a Revised Straw Proposal will be posted on October 7, 2015. The Small POU Coalition respectfully requests that these comments be considered in preparation of the forthcoming RSI2 Revised Straw Proposal and throughout the RSI2 stakeholder process.

The Small POU Coalition is an *ad hoc* coalition of small publicly owned utilities (“POUs”) in California. The Coalition includes the Cities of Rancho Cucamonga, Moreno Valley, Corona, Colton, Needles, Cerritos, and Victorville, Eastside Power Authority, Pittsburg Power Company, and the Power & Water Resources Pooling Authority. Most of these POUs formed in the last two decades, following deregulation and the California Energy Crisis. POUs in the Coalition have a substantially smaller load and administrative capacity in comparison to many of the other utilities within the ISO’s Balancing Authority Area (“BAA”).¹

Given these size constraints, the Small POU Coalition is deeply concerned with the existing RA construct, particularly with the requirements for RA and Flexible RA Capacity (“FRAC”) showings. ISO Tariff Sections 40.2.2 and 40.10.5.1 require that all Load Serving Entities (“LSEs”), through their Scheduling Coordinator (“SC”), submit monthly and annual plans demonstrating sufficient RA and FRAC procurement. These RA procurement and showing requirements, as presently designed and implemented, present numerous and unnecessary challenges for small POUs. As described below, small POUs have been subject to inordinate penalties and discrepant treatment within the existing RA construct, and adding additional RA requirements will presumably only compound these problems.

The ISO’s June 25, 2015 Joint Issue Paper acknowledges that there are lingering difficulties with the existing timelines and processes for RA showings and RA plans:

¹ See, e.g., California Energy Commission, *California Energy Demand Data and Forecast*, Mid Demand Base Case (July 3, 2015), available at http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-03/TN205236-3_20150703T141327_California_Energy_Demand_Forecast_2016__2026_Preliminary_Mid_De.xlsx.

“The ISO has identified certain areas in the RA tariff provisions that, if further clarified, will provide additional benefits to both LRAs and LSEs. Specifically, the ISO will clearly identify the timelines and processes the ISO will use when reviewing RA showings and RA plans.”²

This call for additional clarity in RA processes and timelines was reiterated in the RSI2 Straw Proposal, which notes that “The ISO will clearly define the timelines and processes it will use when reviewing RA showings and RA plans.”³ In light of the small POU’s difficulties and ISO’s acknowledged need for improvement, the Small POU Coalition recommends the following: (1) a streamlined procurement and reporting process for *de minimis* amounts of RA; (2) upgrades and improvements to the existing reporting systems; and (3) flexibility built into the enforcement of information submissions, as further described below.

1. Streamlined Procurement and Reporting Process for *De Minimis* Amounts

Under the existing RA construct, LSEs follow the same RA reporting requirements regardless of individual characteristics and impact on peak capacity. For example, the amounts of procurement reported each month by some of the POU’s in the Small POU Coalition is miniscule relative to the ISO footprint – in the range of 1 to 0.20 MW. The amounts reported by certain POU’s in the Small POU Coalition represent less than 0.004 percent of the ISO’s peak capacity.⁴ These amounts are too small to have any noticeable impact on the cumulative FRAC or RA data. Thus, the Small POU Coalition strongly urges the exploration of a *de minimis* exception for SCs of individual LSEs under a certain threshold. After a review of the ISO’s provided RA information, the Small POU Coalition recommends that a 60 MW threshold for the exception would be appropriate.

As an additional consideration, the Small POU Coalition encourages the ISO to reduce the RA reporting burden by removing the monthly reporting requirements for LSEs below a certain threshold and/or with little to no reporting variance. The RA reports for small POU’s vary an inconsequential amount from month-to-month – some by a fraction of a MW. The ISO could remove the monthly reporting requirement while maintaining the annual report as a means to ensure sufficient compliance.

Further, a *deminimis* exception for procurement should also be considered. Currently, members of the Small POU Coalition are only able to procure market products in quantities of 1 MW or greater, regardless of whether the ISO’s procurement allocation for a small POU is much smaller. For example, if a small POU’s procurement allocation is set at 0.2 MW, then the small POU would have to procure *five times more* than required by the ISO. A small POU should not have to over-procure resources by a factor of five in order to meet the ISO’s procurement allocation, and thus the Small POU Coalition urges a *deminimis* procurement exception.

² RSI and FRACMOO Phase 2 Issue Paper at 20 (June 25, 2015), *available at* https://www.caiso.com/Documents/Phase2IssuePaper_ReliabilityServices_FlexibleRACriteria_MustOfferObligations.pdf.

³ RSI2 Straw Proposal at 8 (August 19, 2015), *available at* <http://www.caiso.com/Documents/StrawProposal-ReliabilityServicesPhase2.pdf>.

⁴ *See, e.g.,* ISO, *2015 Summer Loads and Resources Assessment* at 12-33 (May 7, 2015) (detailing capacity findings for 2014 and forecasts for 2015), *available at* <https://www.caiso.com/Documents/2015SummerAssessment.pdf>.

2. Upgrades and Improvements to Existing Reporting Systems

Under the present system, an LSE will submit its monthly or annual report through its SC into the California ISO Interface for Resource Adequacy (“CIRA”) portal. The Small POU Coalition strongly urges the ISO to augment its reporting systems to both confirm receipt, confirm review, and also provide electronic indications of the lack of receipt in a timely manner. With the prospect of a \$500 per day sanction for a missing report,⁵ a clear electronic paper trail is required to ensure the fairness of the ISO’s sanction and review process. Such improvements would greatly improve the “clarity in RA processes and timelines” and benefit the ISO in ensuring that required information is submitted.

3. Flexibility Built into the Enforcement of Information Submissions

Under the ISO Tariff, the penalty for missing RA showings is \$500 per day per missing showing.⁶ Given that each monthly plan must be submitted 45 days in advance of the first day of the month covered by the RA plan, each missing plan can result in a sanction of up to \$22,000.⁷ Similarly, an annual RA plan is due the last business day in October – approximately 60 days prior to the end of each year – and thus could result in a sanction of \$30,000.⁸ Such sanctions have been inflexibly applied to the small POU, with sanctions at times rising to a nominal cost of over \$30,000 per MW reported late.

This enforcement construct is insufficiently flexible and unnecessarily punitive given the unique circumstances of the small POU and discrepancy in notice for missing plans. If a large utility missed the filing of a RA plan, the ISO would likely contact the utility promptly, due the noticeable impact of the larger utility’s RA on the cumulative data. Thus, a larger utility may receive a \$500-\$1500 sanction for submitting their filing several days late, but a missing filing of a larger utility would not go unnoticed by the ISO for months, likely preventing a sanction from rising to tens of thousands of dollars. This concern is compounded by the fact that electronic errors in the submittal/receipt process may go unnoticed due to the ISO’s lack of confirmations in the existing receipt and review process. Therefore, the Small POU Coalition requests the implementation of cost caps or other measures to ensure flexible and fair enforcement of RA reporting requirements.

Conclusion

For all the reasons presented, the Small POU Coalition respectfully urges the ISO to consider the above recommendations for inclusion in the forthcoming Revised Straw Proposal and throughout RSI2. The

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⁵ ISO Tariff Section 37.6.1.2.

⁶ *Id.*

⁷ *See id.* Sections 40.2.2 (for RA); 40.10.5.1 (specific to FRAC).

⁸ *See id.* The Small POU recognizes that an annual FRAC plan for 2015 is not required under Tariff 40.10.5.1(a).

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Small POU Coalition appreciates the opportunity to provide comments in this stakeholder process.

Respectfully submitted,

/s/ Dan Griffiths

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