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Comments of the Small POU Coalition on the July 22, 2015 Flexible Resource Adequacy and Must Offer Obligations – Phase 2 Working Group Meeting

The Small Publicly Owned Utility Coalition ("Small POU Coalition") respectfully submits these comments in response to the July 22, 2015 Flexible Resource Adequacy and Must Offer Obligations – Phase 2 ("FRACMOO2") Working Group meeting. The July 22 FRACMOO2 Working Group meeting covered flexible capacity requirements and put forward proposals for changes to the existing Resource Adequacy ("RA") construct, such as splitting RA showings into separate inflexible and flexible capacity showings. Though the FRACMOO2 and the Reliability Service Initiative – Phase 2 ("RSI2") stakeholder processes are designated as independent, they are interrelated in both content and scope, and were jointly addressed in a June 25, 2015 Issue Paper and subsequent July 2 Stakeholder Call.[1] Thus, the Small POU Coalition respectfully requests that these comments on the Working Group meeting be considered in both the FRACMOO2 and RSI2 contexts and be utilized in the preparation of the FRACMOO2 and RSI2 straw proposals and any subsequent revisions.

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 California Independent System Operator Corporation's ("ISO") Balancing Authority Area ("BAA").[2]

Given these size constraints, the Small POU Coalition is deeply concerned with the existing RA construct, particularly with the requirements for Flexible RA Capacity ("FRAC") annual and monthly showings. ISO Tariff Section 40.10.5.1 requires that all Load Serving Entities ("LSEs"), through their Scheduling Coordinator ("SC"), submit monthly and annual plans demonstrating sufficient FRAC procurement. These FRAC 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 construct, and adding additional requirements will presumably only compound these problems.

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

[2] *See, e.g.,* California Energy Commission, California Energy Mid Demand Forecast and Data (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's June 25, 2015 Issue Paper acknowledges that there are lingering difficulties with the existing timelines and processes for RA showing and RA plans:

> "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."[3]

This call for additional clarity in RA processes and timelines was reiterated in the subsequent July 2 FRACMOO2 and RSI2 stakeholder call, where ISO staff noted that "Additional clarity is needed regarding RA processes and timelines" and that "[The] addition [of] clarity benefits … both LRAs and LSEs"[4] In light of the small POUs' difficulties and ISO's acknowledged need for improvement, the Small POU Coalition recommends the following: (1) a streamlined 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 Reporting Process for *De Minimis* Amounts

Under the existing RA construct, LSEs follow the same FRAC reporting requirements regardless of individual characteristics and impact on peak capacity. For example, the amounts of FRAC procurement reported each month by some of the POUs in the Small POU Coalition is miniscule relative to the ISO footprint – in the range of 1 to 0.20 MW. The FRAC amounts reported by certain POUs in the Small POU Coalition represent less than 0.004 percent of the ISO's peak capacity.[5] These amounts are too small to have any noticeable impact on the cumulative FRAC data. Thus, the Small POU Coalition strongly urges the exploration of a *de minimis* exception for SCs of individual LSEs having a peak load under a certain threshold. After an initial review of the RA information provided by the ISO, 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 Coalition POUs 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.

2. Upgrades and Improvements to Existing Reporting Systems

Under the present system, an LSE will submit its monthly or annual report through its SC through the California ISO Interface for Resource Adequacy ("CIRA") application. The Small POU Coalition strongly urges the ISO to augment its reporting systems to both confirm receipt, confirm review, and

[3] June 25 Issue Paper at 20.
[4] RSI2 and FRACMOO2 Workshop Slides at 24 (July 2, 2015), *available at* http://www.CAISO.com/Documents/Agenda_Presentation_ReliabilityService_FlexibleRACriteria_MustOfferObligations_Phase2IssuePaper.pdf.
[5] *See, e.g.,* CAISO *2015 Summer Loads and Resources Assessment* at 12 (detailing capacity findings for 2014 and forecasts for 2015).

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,[6] 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.[7] Given that each monthly plan must be submitted 45 days in advance of the first day of the month covered by the FRAC plan, each missing plan can result in a sanction of up to $22,000.[8] Similarly, an annual FRAC 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.[9] Such sanctions have been inflexibly applied to the small POUs, with sanctions capable of rising to nominal cost of over $30,000 per MW of FRAC reported late.

This enforcement construct is insufficiently flexible and unnecessarily punitive given the unique circumstances of the small POUs and discrepancy in notice for missing plans. If a large utility missed the filing a FRAC plan, the ISO would likely contact the utility promptly, due to the noticeable impact of the larger utility's FRAC on the cumulative FRAC data. Thus, a larger utility may receive a $500-$1500 sanction for submitting its 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 costs caps or other measures to ensure flexible and fair enforcement of FRAC reporting requirements.

Conclusion

For all the reasons presented, the Small POU Coalition respectfully urges the ISO to consider the above recommendations. The Small POU Coalition appreciates the opportunity to provide comments and

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[6] ISO Tariff Section 37.6.1.2.
[7] *Id.*
[8] *See id.* Section 40.10.5.1(c)(1)-(3).
[9] *See id.* Section 40.10.5.1(b)(1)-(3). The Small POUs recognize that a 2015 annual plan is not required under Section 40.10.5.1(a).

participate in this stakeholder process.

Respectfully submitted,

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