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**Straw Proposal**  
**Standard Capacity Product II**

**January 19, 2010**

# Standard Capacity Product II

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## 1. Executive Summary

The Standard Capacity Product II Straw Proposal, known as “SCP II” addresses a number of issues related to the Resource Adequacy (RA) program and to the ISO’s previous filing of the Standard Capacity Product (SCP) and the order of the Federal Energy Regulatory Commission in response to that filing. The following topics are covered in this proposal:

- Extend Standard Capacity Product (SCP) to RA resources that were temporarily exempt from SCP, in compliance with FERC’s Order on June 28, 2009
- The measurement of availability for Non-Resource Specific System Resources that provide RA capacity
- A means to ensure reliability in the event the that California Public Utilities Commission (CPUC) eliminates the “replacement rule” for RA capacity on planned outages
- Clarifications to the existing tariff language to provide a clearer understanding of two sections related to (1) the allocation of surplus availability charge funds and (2) the types of outages that impact availability.

The following paragraphs provide a summary of these proposed changes.

First, in the 2008 Market Initiatives Roadmap process, the implementation of a standard product for trading RA capacity was given the highest ranking of all the initiatives. To that end the ISO and stakeholders worked together to design the Standard Capacity Product tariff amendment. This amendment was filed with FERC in March of 2009 and led to an Order in June. In its filing the ISO requested a deferral in applying SCP provisions to certain types of resources. It was requested that wind, solar, non-dispatchable cogeneration, non-dispatchable biomass and non-dispatchable geothermal facilities be temporarily exempted from SCP until the ISO, CPUC and LRAs could work together to develop a strategy to avoid the potential for “double counting” of historical outages that may have occurred without this exemption. This SCP II proposal tackles the issue of applying SCP to these types of resources. Additionally, SCP has been defined as “in scope” for Phase 1 of the CPUC’s current RA OIR proceeding which allows the ISO the opportunity to coordinate with CPUC staff to align the CPUC’s rules for calculating qualifying capacity with the SCP availability standards.

The ISO also requested that Demand Response (DR) be temporarily exempted from SCP due to ongoing proceedings and stakeholder processes to revise the DR programs. Because these proceedings are still ongoing, and there are questions related to the correct measure of availability for DR, the ISO has taken this out of scope for this effort but suggests that another stakeholder process commence to deal specifically with DR issues in relation to RA and SCP.

Second, the original SCP proposal as approved by FERC assesses the SCP availability of Non-Resource Specific System Resources based on whether they have fully offered their RA capacity to the ISO markets during availability assessment hours. The ISO proposes to modify the SCP provisions from the original approach based on bidding behavior to one based on SLIC-reported outages and de-rates, comparable to the approach adopted for internal resources.

Third, stakeholders have suggested that SCP would be more fungible if the CPUC eliminated the rule that requires LSEs to replace RA capacity on a planned outage and instead required suppliers to make those provisions through rules implemented in the ISO tariff. The SCP II straw proposal proposes some changes to accommodate this request through a process that is similar to the current unit substitution process for forced outages.

Finally, there are two minor corrections to the RA section of the tariff (section 40) that are being updated to clarify their meaning. First, section 40.9.4.2 deals with the types of outages that can affect the availability of an RA resource. The phrase “Forced Outages, non-ambient de-rates, or temperature-related ambient de-rates” will be modified to remove the term “non-ambient de-rates” because non-ambient de-rates are included in the definition of Forced Outage. Second, in section 40.9.6.3 the tariff incorrectly states that excess non-availability funds should be allocated in accordance with Section 11.5.2.3, which allocates funds to metered demand in the corresponding default LAP. Since the allocation should go to all metered CAISO Demand, this section will be corrected.

The ISO plans to post its draft final proposal on Feb 11, 2010, and bring the initiative to the Board of Governors for decision in March. A tariff filing is scheduled for April, 2010.

## 2. Introduction

Effective January 1, 2010, the ISO implemented the RA Standard Capacity Product (SCP) as approved by the FERC by order dated June 26, 2009 (ER09-1064-000).<sup>1</sup> FERC approved the SCP on the grounds that it will: (1) enable market participants to efficiently and flexibly buy, sell, and trade RA capacity without the burden of negotiating the availability requirements of each transaction; and (2) establish uniform metrics and provide market participants with a readily-available means to satisfy their RA requirements, which will enhance reliability. Under SCP, the ISO has, in broad terms, developed an availability standard for each month of the year that compares to the actual monthly availability of the RA capacity of each RA resource, based on the resource’s total hourly available RA capacity over all availability assessment hours of the month divided by its total hourly RA capacity for those hours. An RA resource whose actual monthly availability exceeds the target availability standard (plus a 2.5 percent tolerance band) is eligible to receive an availability incentive payment. Conversely, an RA resource whose actual monthly availability falls below the target availability standard (minus a 2.5 percent tolerance band) is subject to a non-availability charge for the month. The availability incentive payments are funded by, and only to the extent of, the non-availability charges that are assessed for the same month.

In the June 26 Order, FERC accepted in part and rejected in part the ISO tariff amendments to implement SCP. In that order, FERC granted temporary exemptions from the SCP availability charges and payments for:

1. Resources whose qualifying capacity value is determined by the CPUC or a Local Regulatory Authority using historical output that has not been adjusted to correct for the possible double-counting of outages (this includes wind, solar, non-dispatchable cogeneration, non-dispatchable biomass and non-dispatchable geothermal facilities); and
2. Demand Response.

FERC directed “the CAISO to work with stakeholders, the CPUC, and local regulatory authorities to determine when the proposed exemptions should ultimately sunset, and the CAISO and stakeholders should diligently work toward a sunset in a timely manner.” This initiative, known as “SCP II”, addresses the FERC order.

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<sup>1</sup> The FERC order is located on the CAISO website at: <http://www.caiso.com/23d9/23d9c3c11970.pdf>

The ISO's SCP filing also proposed, and the FERC order approved with some modifications, to calculate SCP availability differently for non-resource specific system resources that provide RA capacity (referred to as "NRS-RA resources") as compared to the approach adopted for internal RA resources. The approach for internal RA resources is based on capacity outages and de-rates reported to the ISO via the SLIC system. But this approach could not be applied to NRS-RA resources because these resources, not being associated with specific generating resources, do not have comparable outages or capacity de-rates and do not utilize the SLIC system. The SCP proposal as approved by FERC therefore assesses the SCP availability of NRS-RA resources based on their bidding behavior in the SCP compliance hours, specifically, on whether they have fully offered their RA capacity to the ISO markets during those hours.

In the same order that approved this approach for NRS-RA resources, FERC directed the ISO to implement procedures to insert generated bids for NRS-RA resources that fail to fully offer their RA capacity in all hours as required by their supply plans. In a separate stakeholder initiative<sup>2</sup> the ISO is now finalizing its proposal for implementing generated bids for NRS-RA resources and for enabling them to utilize the SLIC system to report allowable outages and de-rates. That initiative does not, however, modify the SCP provisions from the original approach based on bidding behavior to one based on SLIC-reported outages and de-rates, comparable to the approach adopted for internal resources. Therefore, the present SCP II initiative and this straw proposal also address this matter.

The ISO proposes to apply the current SCP rules in designing SCP II. The key features of the current standard capacity product are as follows:

- Availability Standard. Resource availability is measured on a monthly basis and compared against a single availability standard or target based on the historic performance of the RA resource fleet during the peak hours of each month of the previous year.
- Availability Incentives. Each resource is expected to meet or exceed the target availability standard. On a monthly basis, the ISO assesses non-availability charges to resources whose availability falls short of the target, and will provide availability incentive payments to resources whose availability exceeds the target. The availability incentive payments are funded by the non-availability charges, and any excess of non-availability charges is refunded to CAISO Metered Demand, so that this mechanism is revenue neutral on a monthly basis.
- Unit Substitution. A resource owner is able to substitute a non-RA resource for an RA resource on forced outage in order to avoid the outage being counted against the RA resource's availability. A pre-approval process is required for substitute local RA capacity to ensure that the replacement capacity is comparable to the original RA capacity in an operational sense.
- Transition to SCP. There are provisions for transitional grandfathering of existing RA contracts that were executed prior to June 28, 2009.

Although compliance with the FERC Order was the main driver to initiate the SCP II design effort at this time, the concurrent CPUC RA proceeding brings another issue forward as timely to include in this process. Included within the scope of Phase 1 of the CPUC's RA OIR is a

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<sup>2</sup> The CAISO webpage for this initiative is <http://www.caiso.com/2488/2488b47711c30.html> and the issue paper "Generated Bids and Outage Reporting for NRS-RA Resources." Is located at <http://www.caiso.com/2488/2488b6f62e070.pdf>

Section entitled *Standard Capacity Product as a Commercially-Viable Product*.<sup>3</sup> The issue under discussion in this section is the planned outage replacement obligation of LSEs for RA capacity. The CPUC's replacement rule requires an LSE to procure additional RA capacity to meet its RA requirements in months where some of its RA capacity is significantly affected by a planned outage. Several stakeholders have suggested that the CPUC eliminate the replacement rule and develop another method for replacing this capacity that places the replacement obligation on the RA capacity supplier rather than the LSE. The proponents of this change believe that it will make SCP a more fungible product and therefore should be considered in this stakeholder effort. In its proposal to the CPUC on Phase 1 issues in R.09-10-032, the ISO did not oppose removing the replacement rule if it could be done in a way that would not adversely affect the reliability of the ISO balancing authority area. Parties have suggested that, if the CPUC eliminates the replacement rule, the ISO could amend its tariff to provide an alternative mechanism to address the potential reduction in the amount of available capacity due to planned outages.

### **3. Scope of the SCP II Proposal**

The SCP II initiative will cover three issues: extending SCP to the temporarily exempt intermittent resources, addressing the replacement rule and minor clarifications to the existing tariff language.

#### **3.1. Extending Standard Capacity Product to the Temporarily Exempt Resources**

Based on a data sample from 2009, approximately 12 percent of RA capacity from generating units is exempted from the 2010 availability standards based on their resource type.<sup>4</sup> The intention of this proposal is not to change the current SCP rules provided in the Tariff, but to standardize the existing rules for all RA resources to the extent possible.

#### **3.2. Modification of SCP Availability Metric for Non-Resource Specific System Resources that Provide RA Capacity**

The ISO is conducting a stakeholder initiative separate from and in parallel to the SCP II initiative, in which it is developing rules and procedures for inserting generated bids for NRS-RA resources that fail to offer their full RA capacity subject to the must-offer provisions of Section 40 of the tariff and their supply plans, and for enabling these resources to report allowable outages and capacity de-rates through the ISO's SLIC system. (See "Generated Bids and Outage Reporting for NRS-RA Resources.") The ISO anticipates that these rules and procedures will be implemented no later than January 1, 2011, when the SCP II provisions would take effect. It is therefore necessary and appropriate that this SCP II proposal include within its scope certain modifications to the approved tariff provisions for assessing the availability of these resources, to modify the approach from one based on bidding behavior to one based on reported SLIC outages and de-rates. This straw proposal addresses this matter.

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<sup>3</sup> *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations*. Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge Determining the Scope, Schedule, and Need for Hearing in the Proceeding December 23, 2009, p4. .

<sup>4</sup> This estimate was performed using generation RA resources only. It excluded imports, which if included would have made the percentage smaller. Demand Response RA resources were also not available for this calculation.

### 3.3. Replacement Rule

In the December 4<sup>th</sup> Issue Paper for SCP II, the topic of the replacement rule was discussed as being out of scope for this initiative. However due to the stakeholder comments on the issue as well as discussion in other forums, including the CPUC SCP workshop on December 14 and stakeholder proposals for the scope of Phase 1 of the RA OIR (R.09-10-032), the ISO has reconsidered that approach and decided to include the topic in the scope of the SCP II initiative.

In its proposal to the CPUC on January 11, the ISO stated that it does not oppose removing the replacement rule if its elimination does not adversely impact reliability in the ISO balancing authority area. To that end, the ISO proposes to work collaboratively with the CPUC to transition the treatment of schedule outages for RA purposes from the replacement rule to another approach which will maintain sufficient capacity to serve load and reliably operate the grid.

### 3.4. Clarifications to Existing SCP Tariff Provisions

There are two areas in Section 40 of the tariff related to SCP that require minor clarification. . Neither of the changes affect the SCP design; instead they further elucidate the rules that are currently in place. First, in 40.9.4.2 a clarification is made to the language regarding the types of outages that affect an RA resources availability to remove the words “non-ambient de-rate” which is a subset of the term “forced outage” instead of an additional outage state. Second, in 40.9.6.3 the tariff language is being changed to indicate that excess non-availability funds will be allocated to Metered Demand. These are discussed in detail in the Section 4.3 below

### 3.5. Not in Scope

The following considerations are not within the scope of this initiative:

**Implementation issues associated with SCP** – Technical issues related to the 2010 implementation of SCP are outside the scope of this stakeholder process.

**Unit Substitution** – Some stakeholders have expressed concerns to the ISO about their inability to substitute resources in the event that their local RA units have a forced outage, due to a lack of local non-RA resources available for substitution. It is important to understand that unit substitution is not a requirement under the ISO tariff; rather, it is an option that is available if the RA supplier is able to utilize it. In addition, it is the ISO’s understanding that in some instances this issue arises due to RA reporting requirements imposed by the CPUC, rather than to SCP provisions. The ISO accordingly suggests that for those instances the issue be addressed with the CPUC. For these reasons the SCP II initiative will not consider any modifications to the unit substitution provisions as approved in the June 26, 2009 FERC order.

**Demand Response** – As mentioned above, FERC accepted the ISO’s proposal to temporarily exempt demand response resources from the availability standards because of current efforts underway to enhance these products. The following products fall under the demand response category.

Retail Programs – This category includes

- Emergency Triggered Demand Response
- Price Responsive Demand Response

There are several challenges in applying availability charges and payments to these types of resources which the ISO and CPUC must resolve. The most significant challenge is integrating into the ISO markets and systems the vast majority of demand response that participates in retail demand response programs. These retail demand response programs, although considered RA resources, exist outside of the ISO market and, therefore, the ISO has no ability to directly monitor the performance and, therefore, availability of these resources. The second challenge is how the demand response resources are treated under the CPUC's resource RA program. Currently, the "performance" and resource adequacy counting of demand response resources enrolled in retail demand response programs is not determined on a resource basis, but on a program basis through the application of a CPUC approved Load Impact Protocol (*D.08-04-050, April 24, 2008*). The Load Impact Protocol determines the net qualifying capacity of a retail demand response program which is "taken off the top" of the system RA obligation. This "off the top" megawatt quantity translates into a resource adequacy counting credit that reduces the resource adequacy requirement of CPUC jurisdictional load-serving entities. Furthermore, the net qualifying capacity associated with retail demand response programs and claimed as a credit by CPUC jurisdictional load-serving entities is multiplied by 115% to reflect the demand response program's reduction in load translating into an additional reduction in the system RA obligation. Thus, there are two non-trivial technical and policy challenges to overcome in determining how SCP availability and payments will apply to retail demand response programs, that is 1) the integration of retail demand response programs into ISO markets and systems and 2) how retail demand response programs are essentially treated as a special type of RA resource that is "taken off the top," reducing the RA requirement of CPUC jurisdictional load-serving entities.

Apart from these challenges, emergency triggered demand response resources are a unique type of the retail demand response programs whose design and use are being addressed through Phase 3 of the CPUC demand response proceeding (R.07-01-041).

#### Wholesale Products:

- Participating Load
- Proxy Demand Resources

The ISO offers wholesale demand response products, specifically the participating load product and the proxy demand resource product that is scheduled to be implemented May 1, 2010. Both of these products are designed to fully integrate demand response resources into the ISO markets and systems, comparable to a generator. Tracking performance of these resources is straightforward because the ISO settles these demand response resources participating in the wholesale market based on their performance. However, a challenge exists in determining the availability of wholesale demand response resources based on outage reporting information. At this time, outage reporting is not required for demand response resources, nor has the ISO established the rules or considered potential modifications to its outage reporting system to accommodate such a requirement.

Ultimately, all RA resources should be measured and accountable for providing the capacity that is their obligation, however it is not clear that measuring non-availability through forced outages and temperature non-ambient de-rates is the correct method to account for demand response participation. In fact, in some scenarios, a forced outage for a DR resource could actually lessen the capacity requirement for the control area and therefore it would be the wrong incentive to penalize this type of event, e.g. where the demand response resource is actually

“off-line” and not consuming energy. For these reasons and also due to (1) the ongoing PUC proceedings with regard to DR and (2) the additional system implementation considerations that may be required to include DR in this proposal, the ISO proposes to begin a market design/stakeholder process to determine the best method for measuring whether a demand response resource is meeting its RA obligation and aim for implementation in 2012 rather than in 2011.

## 4. Straw Proposal

### 4.1. Resources Whose Qualifying Capacity Value is Determined by Historical Output from the CPUC or a Local Regulatory Authority

The following resources are temporarily exempt from the applicability of non-availability charges and payments due to the method used to calculate their qualifying capacity:

- Solar
- Wind
- Non-dispatchable biomass resources, non-dispatchable geothermal resources, and non-dispatchable cogeneration resources

#### 4.1.1. Definition of Deferred Resource Types

Section 40.9.2 of the Tariff<sup>5</sup> defines the types of resources that are currently exempt from the availability charges and payments of the Standard Capacity Product. Specifically subsection (4) describes these types of resources that are temporarily deferred:

*Demand response resources and resources whose Qualifying Capacity value is determined by historical output from the CPUC or a Local Regulatory Authority that does not adjust the historical output data to correct for the possible double-counting of Outages will not be used to determine Availability Standards, will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9.*

The FERC Order accepted this exemption, but offered the following guidance:

*56. We accept the CAISO’s proposal to exempt from the proposed availability standards resources whose qualifying capacity is determined by historical output. As the CAISO explains, existing resource adequacy rules treat certain resources differently in determining their amount of qualifying capacity. Under the existing CPUC market rules, resources whose qualifying capacity is determined by historical output are penalized for poor performance through a reduction of their qualifying capacity. Therefore, it would be a harsh result to apply the same availability standards, which are designed to penalize poor performance, to resources already subject to qualifying capacity adjustments. We find that doing so could potentially result in penalizing such resources twice for the same outage or de-rate. As long as this counting feature of the market continues, we find the proposed exemption to be permissible and not unduly discriminatory.*

*57. We also accept the CAISO’s proposal to temporarily exempt demand response resources due to on-going efforts to enhance the manner in which demand response*

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<sup>5</sup> Section 40 of the tariff which pertains to Resource Adequacy can be found at: <http://www.aiso.com/2471/24719720e850.pdf>

*resources participate in the CAISO's markets. We acknowledge the CAISO stakeholder initiatives and CPUC proceedings to enhance the manner in which demand response resources participate in the CAISO's markets, and therefore we are not inclined to take any action in the instant proceeding that might disrupt these current processes or delay the filing of proposed demand response enhancements with the Commission. Accordingly, we find the CAISO's proposal to temporarily exempt demand response resources is supported and not unduly discriminatory.*

*58. To be clear, we find the CAISO's proposal to exempt these resources to be just and reasonable and not unduly discriminatory because these issues are being addressed in ongoing CAISO and CPUC proceedings and the exemptions are, therefore, temporary. To that end, we direct the CAISO to work with stakeholders, the CPUC, and local regulatory authorities to determine when the proposed exemptions should ultimately sunset, and the CAISO and stakeholders should diligently work toward a sunset in a timely manner. In this regard, we direct the CAISO to post a biannual status report relating to the application of availability standards to all resource adequacy resources on its internet web site. The CAISO should post the first such report within 45 days of the date of this order.<sup>6</sup> The reports will serve as a means for the Commission and market participants to monitor the progress of these efforts to sunset the exemptions and as the basis for the market participants and the Commission to determine if the efforts to sunset the exemptions are unreasonably delayed.*

Under the existing CPUC RA counting rules, resources whose qualifying capacity is determined by historical output are penalized for poor performance by reducing their qualifying capacity for the following compliance year. The historical output used in the calculation is not currently adjusted to reflect the decrease in output that may arise during the period of a forced outage. Under SCP, the actual availability of a resource in a given month is determined based on the extent to which it has forced outages that impact its RA capacity. Applying both of these standards to these types of resources could be exceedingly severe because a resource potentially be penalized for the same outage (or de-rate) twice.

#### **4.1.2. Straw Proposal for Deferred Resource Types**

In its proposal on Phase 1 of the CPUC OIR on RA,<sup>7</sup> the ISO suggested changes to the CPUC RA counting rules that would resolve the potential double counting issue for resources whose Qualifying Capacity (QC) value is determined by historical output and clear a path for the ISO to implement the non-availability charges and payments to these types of resources. The ISO proposed that the CPUC modify its counting methodology for these resources by either (1) eliminating the forced outage and de-rate hours from its calculation of QC for RA resources, or (2) use proxy energy output values for these hours. The second approach conforms to the

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<sup>6</sup> The First Biannual Status Report of California Independent System Operator Corporation Regarding the Application of SCP Availability Standards to All Resource Adequacy Resources, dated August 10, 2009 can be found at: <http://www.caiso.com/2406/2406865640280.pdf> .

<sup>7</sup> Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations R.09-10-032, California Independent System Operator Corporation Proposals on Phase 1 Issues. <http://www.caiso.com/271c/271c77ad5da50.pdf>

methodology that the CPUC previously approved to account for planned outages in the QC calculation for these types of resources.<sup>8</sup>

In compliance with the FERC Order, implementing SCP resources whose QC value is determined by historical output is not limited to CPUC jurisdictional entities. These types of resources who are subject to LRAs other than the CPUC will also be subject to the standard capacity product rules with the implementation of SCP II. Currently LRAs use their own methodology to establish their qualifying capacity criteria, and in the event that they don't the ISO will fall back on Section 40.8 of the Tariff, *CAISO Default Qualifying Capacity Criteria* to establish these values.

Consistent with this proposal to the CPUC, the ISO in this initiative proposes to extend to the exempt intermittent resources the same availability standard, availability incentives, unit substitution and grandfathering rules that are currently in effect and applicable to other RA resources.

In the current SCP tariff provisions for RA Resources, there is a unique target availability value established for each month of the compliance year, calculated using the historic actual availability of the RA resource fleet during the availability assessment hours during each respective month over each of the past three years.<sup>9</sup> This historical data is acquired from SLIC. The ISO proposes to continue this methodology to the extent that the data is available for these types of resources. If SLIC does not contain the monthly data for the past three years, there are two options:

- (1) Request the resource's historical data from the suppliers;
- (2) Treat these resources in a similar manner to new RA Resources. This means that as the outage data is collected it will be included in future availability standard calculations.

The ISO prefers option 1 and proposes to implement a process to gather this data from suppliers to include in the 2011 availability calculations.

The current availability calculations described in Tariff Section 40.9.4.2 will be applicable to these types of resources. Non-availability will be determined based on forced outages and temperature related ambient de-rates. In their verbal and written comments some stakeholders expressed concern regarding the applicability of these SLIC reporting types to their various forms of generation. In general, forced outages are those situations where a resource is expected to be available but due to some type of unexpected occurrence (e.g. mechanical failure) the resource cannot meet its capacity obligation. This means that, for example normal variations in output from a Qualifying Facility, will not constitute a forced outage.

It is anticipated that the unit substitution policy in Tariff Section 40.9.4.2.1 and grandfathering rules in tariff section 40.9.2 (3) will apply, as they do today. All RA capacity under a resource

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<sup>8</sup> *Order Instituting Rulemaking to Consider Annual Revisions to Local Procurement Obligations and Refinements to the Resource Adequacy Program*. Decision Adopting Local Procurement Obligations for 2010 and Further Refining the Resource Adequacy Program Decision 09-06-028 June 18, 2009 pg 29 [http://docs.cpuc.ca.gov/published/FINAL\\_DECISION/102755.htm](http://docs.cpuc.ca.gov/published/FINAL_DECISION/102755.htm)

<sup>9</sup> Per Tariff Section 40.9.4.1 there are a few types of RA resources that are currently excluded from this calculation. They are (1) resources exempted in Tariff Section 40.9.2 (2) Non-Resource Specific System Resources, (3) resources between 1 and 10 MW subject to Section 40.9.5 until such time that the CAISO has received outage reports and can begin to utilize that data, and (4) use-limited resources for compliance years 2010 and 2011

specific supply contract that was signed or submitted to the applicable regulatory authority prior to June 28, 2009 is eligible for grandfathering.

#### **4.2. Modification of SCP Availability Metric for Non-Resource Specific System Resources that Provide RA Capacity**

Under the ISO's original SCP proposal as approved by FERC, the availability of a non-resource specific system resource that provides RA capacity (NRS-RA resource) is measured by the amount of that RA capacity that the resource offers in bids into the ISO markets, in accordance with the must-offer obligations specified in section 40 of the ISO tariff, in each of the designated SCP availability assessment hours. Upon implementation of rules and procedures for inserting generated bids for NRS-RA resources when they fail to submit bids and for enabling such resources to utilize SLIC to report outages and de-rates to the ISO, the ISO must revise the approach for calculating monthly availability under the SCP for these resources to be consistent with the approach applied to internal RA resources.

The ISO proposes to modify section 40.9.7.2 of the tariff regarding the calculation of availability for NRS-RA resources to be consistent with the approach specified in section 40.9.4.2, with the modification that the allowable outages for such resources will be determined based on FERC's order in response to the ISO's proposal on outage reporting for NRS-RA resources, which is being developed in the parallel stakeholder process dealing with this matter, "Generated Bids and Outage Reporting for NRS-RA Resources."

#### **4.3. Elimination of the CPUC's "Replacement Rule"**

In response to the suggestion that the CPUC eliminate the replacement rule in favor of an ISO solution, the ISO's straw proposal to address the planned outage issue is to provide a replacement obligation on suppliers of RA capacity in the ISO tariff, and implement a process that is similar to the current SCP unit substitution mechanism. Under this proposal, when an RA resource intends to take a planned outage in a particular month, the supplier will indicate the details of the intended outage in its supply plan submitted to the ISO and put a request into SLIC for a planned outage. The supplier will have the opportunity to replace the RA resource during the planned outage period with a non-RA resource in accordance with the same substitution rules already approved for unit substitution under SCP. If the substitute capacity submitted by the supplier is acceptable to the ISO then the supplier will have met its replacement requirement for that particular planned outage. If, however, the supplier does not offer acceptable replacement capacity to the ISO, the ISO may, based on anticipated system conditions or other operational considerations, (1) deny or reschedule the requested planned outage, (2) approve the requested outage and procure additional replacement capacity through the ICPM or whatever mechanism may replace ICPM in the future, or (3) approve the requested outage and not procure additional replacement capacity. If the ISO operators determine that (2) is the appropriate action for the situation, either in advance of or during the operating month, the ISO will allocate the cost of the replacement capacity to the supplier of the RA capacity on the planned outage.

#### **4.4. Clarifications to Existing SCP Tariff Provisions**

There are two minor changes which the ISO is proposing to clarify existing tariff language.

- Section 40.9.4.2 – Availability Calculation for a Resource Adequacy Resource – describes the availability determination as follows:

*“A Resource Adequacy Resource will be determined to be less than one hundred percent (100%) available in a given month if it has any Forced Outages, non-ambient de-rates, or temperature-related ambient de-rates that impact the availability of its designated Resource Adequacy Capacity during the Availability Assessment Hours of that month.”*

The phrase “Forced Outages, non-ambient de-rates, or temperature-related ambient de-rates” suggests that there are three different states that could affect the availability of a resource instead of two. The ISO proposes to correct the language to read “Forced Outages or temperature-related ambient de-rates”

- Section 40.9.6.3 – Availability Incentive Payment – This section of the tariff describes the methodology for determining the eligibility of RA Resources to receive an availability incentive payment, the amount that they will be paid and in the event there are excess funds after all RA Resources have been awarded their availability incentive payments, the manner in which excess funds will be allocated. Because the amount of potential availability incentive payment is capped at three times the non-availability charge rate for that trade month, it is possible that excess funds may exist. The last sentence in this paragraph explains the allocation of any excess non-availability charge funds that are not distributed to eligible RA Resources in a trade month. Under Section 40.9.6.3:

*“Any remaining Non-Availability Charge funds that are not distributed to eligible Resource Adequacy Resources will be credited against the Real-Time neutrality charge for that Trade Month in accordance with Section 11.5.2.3”.*

The citation to Section 11.5.2.3, Revenue Neutrality Resulting from Changes in LAP Load Distribution Factors, was in error in the above passage. The ISO proposes to change the wording “*credited against the Real-Time neutrality charge for that Trade Month in accordance with Section 11.5.2.3*” to read “*credited against the Real-Time neutrality charge to metered CAISO Demand for that Trade Month.*” The original language referring to the methodology of Section 11.5.2.3 would limit the allocation of funds to metered CAISO Demand that is scheduled at one of the three Default LAPs. The ISO now proposes to clarify Section 40.9.6.3 to reflect the original intent of the SCP proposal, which was to allocate the funds to all metered CAISO Demand, irrespective of whether it is scheduled at a Default LAP or at another internal location.

## 5. Schedule of Key Dates

January 19 – Post Straw Proposal  
 January 26 – Stakeholder Conference Call to discuss Straw Proposal  
 January 27, 28 – CPUC Workshop on RA OIR Phase 1  
 February 2 – Stakeholder Comments due on Straw Proposal  
 February 11 – Post Draft Final Proposal  
 February 18 – Stakeholder conference call to discuss Draft Final Proposal  
 February 25 – Stakeholder comments due on Draft Final Proposal  
 March 25, 26 – Board of Governors meeting