

**Comments of VIASYN**  
**Reliability Services April 23, 2014 Working Group Discussion**

Submitted by	Company	Date Submitted
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VIASYN appreciates the opportunity to comment on the ISO's Reliability Services Working Group discussion held on April 23, 2014.

**Availability Incentive Price**

VIASYN supports the use of an availability incentive price that is derived from a voluntary or mandatory multi-year forward auction clearing price. A high penalty price would signal that the market is tight on capacity and that the ISO needs RA capacity to perform under more stringent conditions than if the penalty price is low and the market is oversaturated with capacity.

Furthermore, if the availability incentive price for RA is not tied to the market price for RA, resources participating in the market will be exposed to unbalanced risks and rewards. If the market price for RA trends towards zero (\$0) while the penalty price remains high, resource's will be exposed to significant costs without compensatory revenues. Conversely if the market price trends high and the penalty price is disproportionately low, resources will be compensated well for selling RA but will not be adequately incentivized to adhere to their must-offer obligations. An incentive mechanism price set proportional to the market clearing price for RA in a multi-year forward auction will therefore ensure the risks and rewards that RA resources are exposed to remains balanced as both prices fluctuate over time.

**Alignment with Outage Management System**

VIASYN supports aligning the treatment of outages with that discussed in the OMS Initiative.

Short-notice opportunity outages and planned outages without replacement should remain an option for resources and should be removed from the availability calculation for hours approved by the ISO due to accommodating system conditions.

**Proposed Availability Standard and Bandwidth**

The ISO should consider a symmetrical upper and lower bound of 2.5% around the availability standard to more accurately align the penalty threshold with historic RA fleet performance. The 0.4% reduction of the availability standard should remain, as it reflects a more stringent availability assessment window.

VIASYN supports the use of an availability standard and bandwidth that does not fluctuate month-to-month, however the ISO should recognize that an availability assessment window of 24 hours for system RA is more stringent than a window of 4 hours, and that any availability standard for a 24-hour assessment window should be less stringent than one for a 4-hour window.

While the ISO proposes an availability standard 0.4% lower than the historic average, the ISO also proposes a disproportionate lower bound of 1.5% versus an upper bound of 2.5% around the availability standard. While the availability standard proposed for the 24-hour assessment window is 0.4% lower than that for the 4-hour assessment window used historically, by shrinking the lower bound from 2.5% to 1.5% the ISO is actually making the new availability assessment band more stringent. In fact the proposed lower bound of 94.5% is more stringent than 9 months under the current standard.

The ISO should be careful not to significantly increase the stringency of the assessment window and the availability standard in parallel with the elimination of the grandfathering of half the RA resource fleet (by #) as these RA contracts do not account for stringent must-offer obligations and associated penalties; and because resources in old RA contracts with large LSEs have disproportionately limited negotiating power to address contract terms that have turned inequitable due to changes in the underlying RA market design.

### **Bulletin Board or Replacement/Substitution Mechanism**

The ISO should consider a bulletin board or auction to help facilitate the voluntary procurement of replacement and substitution capacity for planned and forced outages in light of the proposed elimination of the grandfathering of old RA contracts.

### **Clarify Historic QC Resources Vs. Use-Limited Resources**

The ISO should clearly delineate between historic QC resources and use-limited resources and their respective must-offer obligations. Variable energy resources should not be classified as use-limited so as to better differentiate between resources with environmental limitations (use-limited resources) and those resources with variable fuel sources (VERs or historic QC resources), and to eliminate potential misunderstandings associated with overlapping resource classifications.