Stakeholder Comments Template

Subject: Reliability Services

Submitted by	Company	Date Submitted
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Viasyn appreciates the opportunity to comment on the ISO's Reliability Services Straw Proposal.

1. Please provide feedback on Part 1: Minimum eligibility criteria and must-offer rules.
    a. Comments on proposal portion of section
        i. Eligibility criteria

Viasyn supports the ISO's proposed eligibility criteria for distributed, non-generator, and proxy demand resources, and has no additional comments at this time.

        ii. Must-offer requirements

Viasyn supports the ISO's must-offer requirements, and has no additional comments at this time.

    b. Comments on phase 2 consideration items
        i. Intertie resources

Viasyn supports the ISO's continued consideration of the value that intertie resources can provide in addressing flexibility needs. While the FRAC MOO initiative was developed to simultaneously address load-following and long-steep ramping challenges, the FRAC MOO bucket approach allows resources to offer different Flex RA products with unique characteristics to address specific and different needs. In particular, the ISO allows resources to provide bucket 3 super-peak ramping and regulation services as Flex RA Capacity, even though these particular products may not necessarily resolve all the same load-following or long-steep ramping challenges that resources providing bucket 1 Flex RA Capacity can resolve.

In the same way, through the utilization of maximum procurement limitations and individualized must-offer obligations, the ISO can incorporate intertie resources into the Flex RA construct to provide the ISO with additional capabilities in resolving long-steep ramping challenges.

ii. Block dispatchable pumping load

Viasyn supports the ISO's continued consideration of the value and deliverability of block dispatchable pumping load, however we do not have additional comments at this time.

iii. ISO dependence on MCC buckets

N/A

c. Other comments

Viasyn supports the proposed interim nature of the FRAC MOO construct, and encourages the ISO to explore creative, long-term alternatives that consider the system challenges associated with a +50% RPS electricity market.

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

a. Comments on the general direction of the design

Viasyn supports the general direction of the Availability Incentive Mechanism (AIM) design, however we do not view the assessment of penalties on a daily basis as reasonable.

First, RA Capacity is a product that is procured and assessed in monthly granularity, and any penalties associated with the performance related to that product should be assessed at a similar level of granularity.

Second, the ISO does not propose to allow resources to substitute for capacity on a forced outage in the real-time market. If a resource is forced offline in the real-time market due to reasons outside of their control, under the current AIM proposal the resource will incur potentially significant penalties even if the system is flush with capacity. It is unreasonable to assess penalties to resources on a daily basis because resources have no way of mitigating the impact of forced outages on real-time market availability through substitution. Assessing penalties on a monthly basis dilutes this market inefficiency, and is appropriate for the interim FRAC MOO construct.

Third, the ISO procures operating reserves to address unit contingencies.

Last, LSEs are required to procure a 115% planning reserve margin based on historical outage rates. The cost of unexpected forced outages in the real-time market is therefore already accounted for in the RA program.

b. Comments on design features
   i. Bid-based assessment

Viasyn views the bid-based assessment as a superior approach to the existing design.

   ii. Fixed availability percentage band

Viasyn supports the fixed availability percentage band proposal, however the ISO should recognize the fact that the proposed lower bound of 94.5% is more stringent than the 4 year average for 9 months under the current design. In light of the proposed elimination of the grandfathering of RA contracts, the ISO should consider a lower bound that is more representative of historic availability.

   iii. Single assessment for flexible and generic overlapping capacity

Viasyn supports the treatment of overlapping capacity.

   iv. Other features

N/A

c. Comments on price

Viasyn supports the use of a single availability incentive price based on the offer cap of the competitive solicitation process as discussed in our comments to section 4.e.

d. Comments on capacity and resource exemptions

Viasyn supports the elimination of blanket exemptions only if the ISO assesses the availability assessment penalty on a monthly basis instead of daily. A daily assessment of availability penalties is excessively burdensome, does not allow resources to mitigate their exposure to penalties associated with uncontrollable real-time contingencies, and ignores other market mechanisms that address forced outages such as contingency reserves and planning reserve margins.

e. Other Comments

N/A

3. Please provide feedback on Part 3: Replacement and Substitution.
   a. Comments on scope

   b. Comments on replacement and substitution issues
      i. Complexity

While Viasyn agrees that the ISO markets are complex, Viasyn encourages market participants to contract with independent, specialized 3rd party Scheduling Coordinators, such as Viasyn, to optimize their interface in the market. Viasyn does not believe that the ISO should take excessive measures to simply market design at the expense of optimizing system reliability and market economics.

Viasyn does support increasing transparency and reducing uncertainty around replacement and substitution requirements for planned and forced outages, but has no recommendations at this time.

ii. CPM designation risk

Viasyn understands that the ISO's CPM proposal in section 9 would administer a competitive solicitation for CPM capacity. Resources contracted for but not listed on an RA plan to provide RA Capacity should negotiate with their LSE counterparty the appropriate level of participation that the resource should adopt in the CPM competitive solicitation. If the LSE is reserving the capacity to serve as replacement or substitution, then such capacity will not be offered in the CPM competitive solicitation and therefore no CPM designation risk occurs. If the resource does participate in the solicitation and receives a CPM designation, the payment to the resource for the designation can then be equitably accounted for between the counterparties bilaterally.

iii. Resource leaning

An LSE's decision to contract with a relatively large resource comes with the associated burden of managing that resource's availability. A larger resource should be associated with a greater substitution burden than a smaller resource because a larger resource has a larger effect on overall resource adequacy and system reliability.

iv. Other issues

N/A

c. Comments on flexible replacement proposal

[See comment 3.e. below]

d. Comments on flexible substitution proposal

Because the ISO does not permit real-time market substitution, the assessment of AIM penalties should be changed from a daily to a monthly assessment. A daily assessment of AIM penalties is excessive and anxiety inducing, does not allow resources to mitigate their exposure to penalties associated with uncontrollable forced outages, and does not account for other market mechanisms that address the reliability concern associated with contingencies. See response to section 2.a. and 2.e. for additional comments on AIM penalties.

e. Other comments

LSEs and resources should only be required to offer replacement and substitution capacity that meets or exceeds the quality of Flex RA bucket product originally sold. If the ISO determines that there is a significant divergence in the value of Flex RA products that reside in the same bucket (i.e. Bucket 1 Flex RA w/ 100MW/min ramp is determined to be significantly more valuable than Bucket 1 Flex w/10MW/min ramp, even if the total MW quantity is the same), and such divergence is generating a reliability challenge, the ISO should re-examine the bucket approach and re-examine how the Flex RA products are valuing different ramp rates.

Under the FRAC MOO construct, Bucket 1 Flex RA w/ 100MW/min ramp is completely fungible with a Bucket 1 Flex RA w/ 10MW/min ramp, and is constrained only to the extent that such a ramp rate limits the EFC. If the ISO does not permit replacement or substitution because the ramp capability of the replacing or substituting resource is less valued than the original resource, the resource should not be penalized under the availability incentive mechanism. This inefficiency is not the fault of the LSE or the resource, but is a limitation of the product definitions.

For example, there is likely one (or a limited few) resource(s) in bucket 1 that have the fastest ramp rate. If these resources' ramp rates is determined to be excessively valuable to the ISO, such that only a resource with an equal or faster ramp rate can replace or substitute for it, the LSE or resource will have an exceedingly difficult, if not impossible, time trying to find such replacement or substitution. The other resources with exceedingly fast ramp rates are likely already be contracted as Flex RA. Therefore, the fastest bucket 1 resources in this example will consistently be penalized when on a planned or forced outage (during a system-wide deficiency or reliability event) because the ISO will not allow lower-quality replacement or substitution, even though the bucket design does not value ramp capability beyond the determination of the EFC. All else equal, this would result in the fastest ramping resources to either be compensated less by LSEs or to be incented to ignore proper maintenance -- degrading the system's higher quality resources.

4. Please provide feedback on Part 4: Capacity Procurement Mechanism.

a. Comments on index price

Viasyn finds the ISO's argument persuasive and therefore prefers the use of a competitive solicitation process for the procurement of CPM capacity and determination of a CPM price(s).

b. Comments on competitive solicitation process

Viasyn supports the competitive solicitation process.

The process should allow bids to be submitted on a monthly basis. This should mitigate most of the CPM designation risk concern in section 3.b.ii. because LSEs and resources can determine the level of participation in the CPM process in advance.

How long must a resource bid into the competitive solicitation process prior to the resource becoming eligible for a Risk-of-Retirement CPM designation? If the competitive solicitation process occurs in monthly intervals as we support, a resource that is at risk of retirement will likely not have sufficient going-forward certainty of compensation to maintain economic operation by participating in the competitive solicitation process for an excessive duration of time.

c. Comments on other changes potentially needed to CPM

To the extent that the Risk-of-Retirement (ROR) CPM designation is legitimate and necessary and excessive in duration (I am unaware of the typical duration of an ROR CPM), the ISO should consider, in parallel with the issuance of an ROR CPM Designation, offering a short-term specified subsidy to any LSE that contracts for the RA capacity of the resource. This would likely reduce the duration of the ROR CPM and reduce the reliance on an administrative, regulatory procurement mechanism and could reduce the overall cost of maintaining reliability. This would only be valuable if the typical duration of a ROR CPM is longer than the duration of the proposed subsidy.

d. Comments on CPM price

Viasyn supports a CPM price based on the awarded capacity's offer price in the competitive solicitation.

e. Comments on supply-side market power mitigation measures

To the extent practical, Viasyn encourages the ISO to consider alternatives from the perspective of limiting the reliance on administrative and regulated parameters designed to limit market power. A bid cap based on a percentage multiple of an RA price percentile as supported by information provided by the CPUC would limit unreasonably high bids. This could be utilized in conjunction with a market power assessment that identifies bids with potential market power, with a subsequent manual examination of the bids by the ISO to identify unusual bidding practices - triggering an information request from the bidding party to support their offer price. This may be too administratively burdensome however.

Viasyn does not support only allowing suppliers to offer a single price for all solicitation processes within the RA year. Suppliers should be offered the flexibility to have a different bid price in the monthly process vs. the annual process because (1) a monthly CPM designation does not provide the same level of revenue certainty as an annual CPM designation, or (2) a resource may receive an RA contract after the close of the annual process, however may not be listed on an RA plan, therefore making the

resource potentially eligible for a CPM but changing the revenue requirements of its capacity in the monthly process.

f. Comments on demand-side market power mitigation measures

N/A

g. Other comments

The CPM designation should remain a monthly designation and payment, even for unsystematic designations, to incent participation in the competitive solicitation process. If unsystematic designations are for shorter durations, the price paid to awarded capacity should increase in a transparent manner to ensure participation in the process is deemed worthwhile from the perspective of market participants.