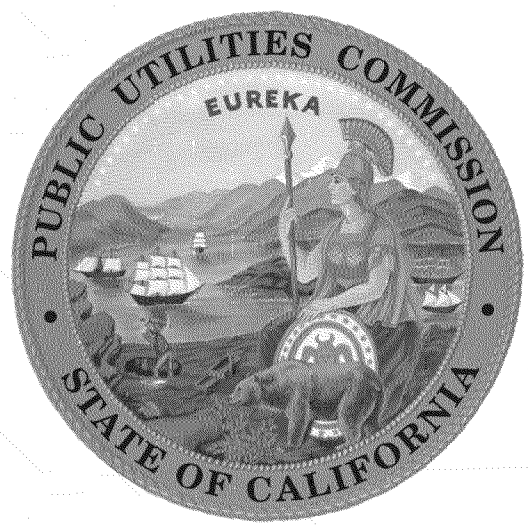


Revised RA Implementation Staff Proposals



RA Workshop | April 9, 2014 | Donald Brooks | Jaime Rose Gannon

California Public Utilities Commission





Revised Staff Proposal 1

- **Combined Heat and Power (CHP) resources procured Outside of the IOUs' TAC Zone**
 - The proposal no longer prohibits RA benefits of CAM & CHP resources procured outside of an IOUs TAC area.
 - Proposes, in conjunction with Staff Proposal 2, to require the IOU responsible for the procurement of the CHP resource to include the CHP resource in the netting (step 3) of the annual Path 26 counting constraint process.
 - Proposes that step 4 of the Path 26 counting constraint process be modified to allocate the benefits derived from the netting process (step 3) to LSEs based on their netting participation-ratio share and no longer on their load-ratio share.






Clarifications

- Current MWs that would be subject to this proposal: Approximately 300 MW of CHP resources located in the south paid for by PG&E TAC customers and approximately 200 MW of CHP resources located in the north paid by SCE TAC customers. These numbers are anticipated to grow as the IOUs CHP goals are met.
- Why is this an issue?
 - Ignoring the Path-26 constraint in procurement activities will lead to fundamental flaws in reliability planning. RA credits need to be reflective of actual grid conditions.
 - Requiring non-IOU LSEs to manage Path-26 allocations, in order to utilize its CHP credits, would require another level of complexity in procurement planning. This level of complexity is not transparent to non-IOU LSEs.

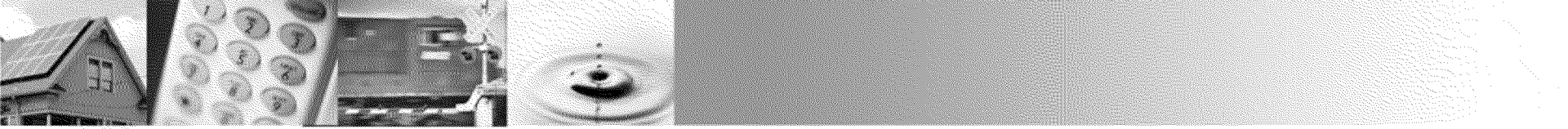




Path-26 Counting Constraint Proposed Change (Example 1)

- **IOU A** serves load **South** of Path-26. It has procured a **400 MW** CHP resource **North** of Path-26.
- **IOU B** serves load **South** of Path-26. It has procured a **100 MW** CHP resource **North** of Path-26.
- **IOU C** serves load **North** of Path-26. It has procured a **500 MW** CHP resource **South** of Path-26.
- For simplicity, only 3 contracts are included in the netting process.
- IOUs A,B, & C show these contracts as existing contracts in the Path-26 counting constraint netting (Step 3).
- The **netting benefit** increases the **South-North** Path-26 allocation by **500 MW** and the **North-South** Path allocation by **500 MW**
- **IOU A** receives **80%** of the **North-South** netting benefit (**400 MW**)
- **IOU B** receives **20%** of the **North-South** netting benefit (**100 MW**)
- **IOU C** receives **100%** of the **South-North** netting benefit (**500 MW**)





Path-26 Counting Constraint Proposed Change (Example 2)

- **IOU A** serves load **South** of Path-26. It has procured a **400 MW** CHP resource **North** of Path-26.
- **IOU B** serves load **South** of Path-26. It has procured a **200 MW** CHP resource **North** of Path-26.
- **IOU C** serves load **North** of Path-26. It has procured a **300 MW** CHP resource **South** of Path-26.
- For simplicity, only 3 contracts are included in the netting process.
- LSEs A,B, & C show these contracts as existing contracts in the Path-26 counting constraint netting (Step 3).
- The **netting benefit** increases the **South-North** Path-26 allocation by **300 MW** and the **North-South** Path allocation by **300 MW**
- **IOU A** receives **66.66%** of the **North-South** netting benefit (**200 MW**)
- **IOU B** receives **33.33%** of the **North-South** netting benefit (**100 MW**)
- **IOU C** receives **100%** of the **South-North** netting benefit (**300 MW**)





Revised Staff Proposal 2

- **Schedule Outage Replacement Rule for Cost Allocation Mechanism (CAM) and Combined Heat and Power (CHP) Resources**
 - The proposal no longer includes references to the Standard Capacity Product (SCP).
 - Clarifies the outage replacement responsibility of Scheduling Coordinators for the LSEs which is not the same as the Scheduling Coordinators for the resources.
 - Clarifies the magnitude of the issue.
 - Proposes that IOUs utilize least cost-best-fit evaluation for the replacement process of scheduled outages for CAM and CHP resources.
 - Proposes that the costs associated with scheduled outage replacement, that falls on the SC for the LSE, be recovered through the balancing account mechanism.
 - Proposes that IOUs use the average capacity price from the most recent RA report for IOU portfolio resources used for schedule outage replacement.





Clarifications

- CAM and CHP MWs that are not subject to the entire CAISO scheduled outage replacement rule: 5,352 MW (based on June NQC)
- Scheduled Outage Replacement Rule (Business Practice Manual **4.5.1.2.1 Timing**)
 - “It is the **responsibility of the SC for a LSE** to provide sufficient replacement RA Capacity for a RA Resource not operationally available due to an Approved/Pending Maintenance Outage **if the outage is submitted to the ISO 45 days prior to the compliance month.**” (CAM resources not subject to this part of replacement rule)
 - “Under Tariff Section 9.3.1.3.3.1, it is the **responsibility of the SC for a resource** to provide sufficient RA Replacement Capacity for a RA Resource planning on taking an Approved Maintenance Outage **if the submittal of the outage or changes to the outage that increase its scope, occurs after 45 days prior to the compliance month.**” (CAM resources are currently subject to this part to the replacement rule).
 - Why is this an issue? Ultimately, there is a risk that the ISO would perform backstop replacement if outage replacement is needed and the outage has been logged prior to T-45.



Example of Current and Proposed Allocation Process

Current					
	TAC Load-ratio share	CAM and CHP RA credits (MW)	CAM and CHP resources shown in RA filings (MW)	Local RAR (MW)	Local RAR showing after CAM benefits are applied (MW) *
Total	100%	1,000		5,000	4,000
IOU X	80%	800		4,000	3,200
LSE A	5%	50		250	200
LSE B	15%	150		750	600

* Assumes all CAM resources are in local area(s) of a TAC

Proposed					
	TAC Load-ratio share	CAM and CHP RA credits & debits (MW)	CAM and CHP resources shown in RA filings (MW)	TAC Local RAR (MW)	TAC Local RAR showing after CAM benefits are applied (MW) *
Total	100%	1,000	1,000	5,000	5,000
IOU X	80%	(200)	1,000	4,000	4,200
LSE A	5%	50		250	200
LSE B	15%	150		750	600

* Assumes all CAM resources are in local area(s) of a TAC area

$\sum TAC \text{ area CAM and CHP credits for nonIOU LSEs} = TAC \text{ area CAM \& CHP debit for the IOU}$

+200 MW non-IOU LSE CAM&CHP credits = -200MW IOU CAM&CHP debit





Revised Staff Proposal 3

- Staff proposes that only CAM and CHP resources contractually able to provide committed flexible capacity be made available for flexible capacity allocation.
- The allocation timeline would follow the same timeline proposed in staff proposal 4.2. for Local RA (July, September, and April).
- If Proposal 2 is adopted, staff proposes that the Flexible RA be allocated in same manner detailed for Local RA benefits in Proposal 2.

