**Proposed Revision Request 1485**

**CAISO Response to Meeting and Comments**

**Background**

The CAISO submitted proposed revision request (PRR) 1485 on January 31, 2023 in which the CAISO proposed revisions to Section 3.4 of the Business Practice Manual (BPM) for Outage Management. PRR 1485 revisions are limited to augmenting the purpose of the Environmental Restrictions nature of work to specify the outage card may be used if a unit outage is occurring “outside extreme event periods for resources that may only operate as necessary to respond to extreme events under the state of California Strategic Reliability Reserve (SRR) Program.”

Southern California Edison (SCE) submitted initial comments in support of PRR 1485 on March 14, 2023. The CAISO recommended approving PRR 1485. Western Power Trading Forum (WPTF) and Calpine submitted comments on that recommendation on April 18, 2023.

**Summary of Stakeholder Meeting**

The CAISO is providing written responses to document the discussion that occurred during the recent BPM Change Management stakeholder meeting.

MEETING TOPIC 1: Conceptually explore what would be required in order to create an SRR specific Outage Card to improve the near-term proposal and explore longer-term solutions other than the Outage Card.

CAISO Response: SRR resources that are CAISO Participating Generators, may participate in the CAISO markets. The existing “Environmental Restriction” Nature of Work Outage Card reflects resource limitations in the SRR program. The BPM change clarifies that this is the correct Nature of Work for this outage type and the CAISO does not see incremental value in undertaking software modifications and associated trainings when the existing Environmental Restriction Outage Card can be utilized by these resources.

MEETING TOPIC 2: Provide definition of “extreme event” and include additional BPM language to define extreme events and associates points of procedure.

CAISO Response: The SRR program and definition of extreme event are set forth in California statute. *See* Water Code Section 80700 *et seq*. The CAISO plans to update public operating procedures to describe how the CAISO will support implementation of the SRR program. The timing of these updates will occur in conjunction with summer readiness updates and communications.

The CAISO tariff requires resource scheduling coordinators to report resource availability. To support implementation of the SRR program, the CAISO is revising the BPM to clarify that the existing Environmental Restriction nature of work indicator can be used by the SRR resources. The CAISO is working on updates to system emergency operations procedure and potentially other procedures to describe how it will support implementation of the SRR program

MEETING TOPIC 3: Importance of BA to BA coordination as SRR resources are to be utilized in support of all BAAs in the state of California.

CAISO RESPONSE: The CAISO agrees that such coordination is necessary and is working on updates to system emergency operations procedure and potentially other procedures to provide support to the SRR program. CAISO is working directly with the SRR program office to coordinate any needed outreach to SRR entities. The CAISO expects to discuss procedure updates as part of its summer readiness preparedness effort. CAISO will also include discussion around the SRR/SPAP resources as part of the summer readiness preparation.

**Responses to Written Comments**

The CAISO is providing written responses to stakeholder comments.

**SCE Initial Comments (March 14, 2023)**

1. SCE agrees with the proposed language below for PRR 1485 to be included under nature of work category “Environmental Restrictions”:   
   "To be used outside extreme event periods for resources that may only operate as necessary to respond to extreme events under the state of California Strategic Reliability Reserve (SRR) Program."  
   However, SCE recommends that it be used in the short-term.   SCE requests CAISO to create a separate nature of work category that would apply only to resources that are used for the state’s California Strategic Reliability Reserve (SRR) Program

CAISO RESPONSE: See response to Meeting Topic 1 above.

**WPTF Comments at Recommendation Stage (April 18, 2023)**

1. WPTF Comments on CAISO’s PRR 1485 Strategic Reliability Reserve WPTF appreciates the opportunity to submit these comments on the CAISO’s proposed revisions to its Business Practice Manual (BPM) related to the Strategy Reliability Reserve (SRR) resources. The SRR resources represent capacity procured through a tax payer funded program that is intended to act as “last resort” capacity for use in the CAISO market to avoid reliability issues. While WPTF appreciates the CAISO including discussion regarding SRR resources in the proposed BPM language, we believe there is a significant need for additional transparency around when and how these resources will be utilized by the market. Thus, WPTF requests that the CAISO to hold a broader stakeholder discussion that transparently explains the treatment of SRR resources and when/how they will be utilized by the CAISO market. The discussion will not only provide much needed transparency but also provide the stakeholders an opportunity to voice concerns with currently contemplated treatment and offer up alternative approaches. At the end of the day when and how these resources are utilized by the market will have market wide implications for all participants. WPTF provides the following more specific feedback that ideally would be addressed in a broader stakeholder discussion, the results of which would then be reflected in appropriate BPM language.

CAISO RESPONSE: The scope of the PRR is solely to address the use of the Environmental Limitation nature of work category by SRR resources for limitations defined in AB205 and related legislation. SRR resource participation is subject to applicable tariff terms.

The resources in the strategic reserve are subject to contracts with the state’s Department of Water Resources, not the CAISO. Just as with other non-RA generation resources, the SRR resources will operate and participate in the CAISO markets consistent with their contractual obligations and in accordance with the rates, terms, and conditions set forth in the CAISO tariff. To the extent the CAISO will need to revise operating procedures to dispatch such resources outside of its market processes in accordance with its existing tariff authority, the operating procedures (e.g., 4420 and 5370) will be published in the normal course, as necessary.

1. The CAISO should include the details of how SRR resources will participate in the market and be operated by the CAISO in the BPM and not just in updated operating procedures 4420 and 5370. Based on the discussion during the March 28 BPM meeting, the CAISO is planning to include additional details on when the resources will be taken off of outage and thus accessible by the market in updated operating procedures. First, the process by which operating procedures are updated does not provide for an opportunity for stakeholders to provide any feedback, which for this purpose would be extremely useful. Second, the operating procedures only inform actions taken by operators; they do not inform or provide guidance on how resources should be operating. Thus, any details regarding when and how these resources will be operated or seen by the market should be included in the BPMs.

CAISO RESPONSE: The SRR resources will participate in CAISO’s markets in accordance with the terms and conditions set forth in the CAISO Tariff. The SRR resources’ participation in the CAISO markets will be determined by the owner and scheduling coordinator. With this BPM clarification, the CAISO expects that SRR resources typically would have an outage in place using the “Environmental Restriction” Nature of Work Outage Card and would cancel that outage only when an extreme event occurs. By cancelling the outage, the market will then have visibility into the availability of SRR resources. The 4420 operating procedure will be used to describe expectations for system emergency conditions at direction of entities responsible for the SRR program.

If SRR resources are not committed through the CAISO’s markets or otherwise committed to another California BA, and such resources are needed during an extreme event to maintain reliability, then the CAISO intends to exceptionally dispatch such resources as necessary. It is appropriate to document the necessary operational details for the process and procedures to effectuate an exceptional dispatch to specific resources (e.g. long-start resources) through updates to the operating procedures. Just as with other non-RA generation resources, the SRR resources will operate and participate in the CAISO markets in accordance with their contractual obligations consistent with the rates, terms, and conditions set forth in the CAISO tariff.

1. The CAISO should clearly define the term “extreme event” for purposes of when the SRR resources would come off the outage and be accessible by the market. AB205 does include a definition for the term, but its unclear to WPTF if the CAISO plans to use the same term for defining conditions when the SRR resources will be utilized by the market. If the CAISO is planning on using the same term, WPTF is concerned it does not align with the intent of the SRR resources and could result in the resources being used more frequently than envisioned and have adverse impacts to the market. Additionally, it is unclear to WPTF if the CAISO will be able to access SRR resources before or only after EEA2 events. This added transparency would be much appreciated.

CAISO RESPONSE: SRR resources are available to all California BAs, not CAISO alone. Just as with other non-RA generation resources, the SRR resources will operate and participate in the CAISO markets in accordance with their contractual obligations and in accordance with the rates, terms, and conditions set forth in the CAISO tariff. SRR Resources that are Participating Generators in the CAISO markets will remove the Environmental Restrictions outage card during extreme events, as indicated in the language to PRR 1485.

1. The CAISO should provide more transparency around how the SRR resources will be participating in the market once off of outage and how this will impact market prices. For example, will the SRR resources always be exceptionally dispatched by operators and if so, how will operators select which resources to ED? Or will SRR resources be required to submit energy offers into the market and if so, will there be any requirement to bid at a certain price point other than between the bid floor and cap? We are concerned if not well designed and coordinated with scarcity pricing rules the SRR assets entering the market will have unwanted impacts on energy prices. For example, the SRR assets may cause the prices to decrease (rather than increase) during periods of scarcity or near-scarcity to the extent any or all their capacity is essentially price taking, absent any scarcity pricing mechanism. This type of outcome will dilute price signals and should be discussed more broadly with stakeholders.

CAISO RESPONSE: This question is outside the scope of this PRR 1485, where the CAISO is clarifying the outage to reflect the environmental restrictions of the state program. Just as with other non-RA generation resources, the SRR resources will operate and participate in the CAISO markets in accordance with their contractual obligations and in accordance with the rates, terms, and conditions set forth in the CAISO tariff.

1. It is our understanding that resources procured under the SRR outside the CAISO BAA (but still within California) may also be used to serve their BAA load first during their emergency events. Thus, the CAISO should ensure that the language it uses regarding the CAISO’s ability to dispatch and use such SRR resources does not conflict with the resource’s own BAAs use of the SRR resources. For example, if the language used by the CAISO allows it to access SRR resources at the same time as the resource’s own BAA, then there is a conflict as to which entity gets access to that capacity.

CAISO RESPONSE: SRR resource participation in the CAISO markets will be determined by entities responsible for the SRR program, and the CAISO will include relevant actions in applicable operating procedures during preparations for 2023 Summer Readiness activities. The CAISO agrees with WPTF’s observation on the importance of BA-BA coordination activities and is taking such actions.

1. If the CAISO continues with the current plan of utilizing outage cards to indicate when the SRR resources are not available to the market, will the outages be classified as planned or forced? While we assume the initial outage would be considered planned, our question is more related to situations where the SRR resources are taken off outage to be utilized by the market but then placed back on outage. Even though the outage submitted after being utilized by the market is likely immediately effective and thus per current definitions would be a forced outage, WPTF is concerned with that categorization and potential downstream implications. For example, if categorized as a forced outage how does that affect outage reporting or outage metrics used in other studies such as the LOLE study?

CAISO RESPONSE: SRR resource submit outages to accurately reflect the resource availability according to existing outage process and procedures. The PRR only clarifies the “Environmental Restrictions” use when the resource scheduling coordinator determines it is appropriate. The CAISO has not identified the need to change the process by which outages are classified as planned or forced to account for SRR resources.

**Calpine Comments at Recommendation Stage (April 18, 2023)**

Calpine concurs with the comments of WPTF.

1. Operating Procedure 4420 currently addresses the operation of related SPAP (State Power Augmentation Program) resources. It contains no obligation for those resources to declare an outage, but rather, for those resources to operate only upon declaration of (1) an EEA2 or above or (2) a transmission emergency.

CAISO RESPONSE: SRR resource participation in the CAISO market will be determined by entities responsible for the SRR program, and the CAISO will include relevant actions in applicable operating procedures during preparations for 2023 Summer Readiness activities. To the extent SPAP resources will operate in a manner similar to the SRR resources, Operating Procedure 4420 will address how the CAISO will support these resources.

1. The DWR-owned units on Calpine’s property are not bid into the market but can respond immediately to dispatch without the extra administrative step of cancelling an outage. These units were and should be envisioned as “break-the-glass” options. They only operate after mutual support has been requested and other preferred resources – such as RDRR demand-side management – has been dispatched. As such, their impact on price formation is minimized. Any changes to the expected order of dispatch – as well as any administrative barriers such as declaration of outages – should be discussed in much more detail than presented in this rather perfunctory BPM change.

CAISO RESPONSE: See response to Calpine question 1 above.