

Comments on Hybrid Resources Phase 1 Revised Draft Tariff Language

Department of Market Monitoring

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Summary

DMM appreciates the opportunity to comment on the ISO's *Revised Draft Tariff Language – Hybrid Resources Phase 1*.¹ The Draft Tariff Language and Revised Draft Tariff Language for Phase 1 of the Hybrid Resources Initiative both indicate that the Aggregate Capability Constraint for co-located resources will be available for use by EIM participating resources. DMM does not recall the ISO discussing the use of this constraint by EIM resources outside of the CAISO BAA in the stakeholder process. The ISO has no ability to set interconnection requirements for EIM areas. Therefore, DMM believes the extension of the Aggregate Capability Constraint to EIM warrants further stakeholder discussion.

Additional Detail

The Draft Tariff Language and the proposals developed in the stakeholder process state that the Aggregate Capability Constraint will be priced at the point of interconnection. The shadow price of this constraint will not be reflected in the settlement price of co-located resources. As DMM and the ISO have previously discussed, this approach can create incentives for co-located resources to produce output in excess of their dispatch instructions, and potentially exceed interconnection limits.^{2,3} The ISO proposes to prevent exceedance of interconnection limits through tariff provisions and the requirement of physical control equipment located at the point of interconnection.

Where feasible to implement, these provisions may provide effective mitigation of potential over generation that may occur under the proposed pricing provisions for resources using the Aggregate Capability Constraint. However, the stakeholder process developed this policy only in the context of the CAISO market and CAISO interconnection rules. The CAISO has no ability to require equipment to limit the combined output of EIM resources that are connected to non-CAISO transmission systems. Further, there is no assurance that such requirements exist uniformly across the multiple transmission systems of EIM.

¹ *Revised Draft Tariff Language – Hybrid Resources Phase 1*, California ISO, July 10, 2020;

<http://www.caiso.com/InitiativeDocuments/RevisedDraftTariffLanguage-HybridResourcesPhase1.docx>

² *Hybrid Resources Revised Straw Proposal –Comments by Department of Market Monitoring*, January 14, 2020:

<http://www.caiso.com/InitiativeDocuments/DMMComments-HybridResources-RevisedStrawProposal.pdf>

³ *Hybrid Resources Second Revised Straw Proposal – Stakeholder Web Conference*, Slide 22, California ISO, May 7,

2020: <http://www.caiso.com/InitiativeDocuments/Presentation-HybridResources-SecondRevisedStrawProposal-May7-2020.pdf>

The incentive remains for co-located EIM resources using the Aggregate Capability Constraint to exceed interconnection limits, and there may be no physical limitation preventing this outcome for resources outside of CAISO.

Therefore, DMM suggests continued stakeholder discussion of the extension on the Aggregate Capability Constraint to EIM.