Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy Enhancements Straw Proposal Part 1 that was published on December 20, 2018. The Straw Proposal Part 1, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx

Submitted by	Organization	Date Submitted
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Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on February 6, 2019.

Please provide your organization's comments on the following issues and questions.

1. Rules for Import RA

Please provide your organization's feedback on the Rules for Import RA topic. Please explain your rationale and include examples if applicable.

On behalf of the CCA parties listed above, we appreciate the efforts of the CAISO in developing more transparency around Import RA. First, we would like to clarify what CAISO's objective is in proposing these changes? During the January 23rd call, a participant asked the CAISO if they had any data suggesting a failure rate of Import RA at the interties. The CAISO answered they had no data to suggest that. The DMM's 2017 Annual Report on Market Issues & Performance states that in-state CAISO resources are declining at a rate never seen before: approximately 3,000 MWs retired due to economic and compliance (e.g. OTC) requirements. Given this declining supply, we are very concerned by the CAISO's proposal to *further* restrict the supply of reliability resources – in this case those located in the broader WECC – to maintain grid stability. Although the CCA parties could support a structure that points to a Balancing Authority or Control Area to supply the Import RA if called upon, requiring the importer to dedicate a specific resource when an importer may be optimizing a portfolio of resources would lead to less supply being offered. For example, many market participants in the Pacific Northwest have a Balancing Authority (BA) set up that hosts an array of resources in their portfolio. On a physical tag, the resource would be the BA, not necessarily the specific generating resource. Would those resources be prohibited from selling Import RA because they don't conform to this new proposed standard? The CAISO should be keenly aware that eliminating resources in the RA market will drastically increase market prices in an already supply-constrained and escalating priced market. We strongly recommend that the CAISO not require a dedicated specific resource for Import RA as it will constrict reliability supply and increase prices for that supply that has historically been reliable.

Regarding the 15-minute bidding requirement (change from the IFM and RUC process), the CCA parties would like the CAISO to clarify agreements, if any, would be required from adjacent Control Areas to accommodate such transmission requirements and system enhancements. For example, is Salt River Project or Bonneville Power Administration able to sell and schedule a 15-minute transmission product necessary to deliver to the CAISO on a 15-minute dispatch? Will the CAISO expect the suppliers of Import RA to buy transmission for the entire hour even if the capacity offered is only dispatched for one 15-minute interval? If transmission from adjacent Control Areas can only be purchased on an hourly basis, the uncertainty born on suppliers on whether the capacity will be dispatched for the full hour or potentially only for one 15-minute interval could strand transmission costs. This could either increase the costs passed onto buyers of Import RA in order to cover such high costs, or potentially discourage future participation from suppliers in providing Import RA. The economics of such an assumption should be thoroughly analyzed. The CAISO must consider WECC scheduling requirements across all Balancing Authorities and to ensure proper coordination for imports from adjacent Control Areas. In addition, the CAISO should consider the mechanics and logistics for suppliers to secure the necessary gas required for a real-time bid. In the current construct, sellers have the ability to secure the required gas supply and necessary transmission for delivery at the inter-tie at the time of an IFM award. Without careful consideration, the CAISO may inadvertently be eliminating the ability for Import RA resources to be used for CAISO reliability. This will decrease liquidity of the RA product and increase prices in the market. We strongly advocate that the CAISO share any cost analyses of these proposed changes with stakeholders to inform feedback. In addition, we note that the CPUC should be advised of the potential impacts to California rate payers as a result of this proposal. A robust cost analysis is especially critical given the increased market volatility and recent IOU rate increases- which will be exacerbated by legislation allowing costs from the 2017 wildfires to be passed on to California ratepayers.

2. RAAIM Enhancements & Outage Rules

a. Please provide your organization's feedback on the Addressing Planned and Forced Outage Issue topic. Please explain your rationale and include examples if applicable.

CCA parties want to ensure using the Last In First Out (LIFO) approach to planned outage substitution requirements, will not in any way incentivize generators to use the outage system for purposes to be exempt of substitution requirements. Should there be modifications to the original approved outage, the resource should have to re-enter the queue in order to discourage exploiting the outage system. We agree that Forced Outages should be called upon first with the substitution requirements.

b. Please provide your organization's feedback on the RAAIM Enhancements topic. Please explain your rationale and include examples if applicable.

We believe the addition of a CPM option for substitute will help alleviate certain generation being withheld entirely from the market in order to cover substitute capacity. This practice is assuming a 100% probability that the unit not offered in the market would be called upon for substitute. Using 100% probability analysis for this purpose is inefficient and has caused liquidity issues in the RA market. Providing an additional CPM option provides generators with more viable options and give them ability to maximize their portfolio.

i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

We prefer Option I provided by the CAISO. The addition of a CPM option, instead of only substitution capacity gives generators flexibility in their ability to resupply. The generator then has the ability to maximize the portfolio of resources in a much more efficient manner.

We encourage the CAISO not to implement Option II. Not being able to count a resource for RA for an entire month due to a planned outage of 5 hours seems highly inefficient and will further constrain supply and put a strain on existing resources. This will artificially eliminate resources for an entire month of RA obligation which is completely unnecessary.

3. Local Capacity Assessments with Availability-Limited Resources

Please provide your organization's feedback on the Local Capacity Assessments with Availability-Limited Resources topic. Please explain your rationale and include examples if applicable.

No comment

4. Meeting Local Capacity Needs with Slow Demand Response

Please provide your organization's feedback on the Meeting Local Capacity Needs with Slow Demand Response topic. Please explain your rationale and include examples if applicable.

No comment

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements Straw Proposal Part 1.

CCA parties value the opportunity to comment on this straw proposal. While we agree more transparency could be accomplished through some moderate changes in the market design, we caution the CAISO to understand the impact to the RA market liquidity and the ensuing increase of cost due to liquidity issues. California rate-payers bear the result of those increased costs, and the market has yet to be provided the supporting data analysis that demonstrates why these changes are necessary and how the changes will mitigate supply challenges. As advocates for not only our customers, but all rate-payers in our respective territories, we remind the CAISO to judiciously evaluate the cost impacts of these proposals.