California ISO

Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fifth revised straw proposal that was published on July 7, 2020. The proposal, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/Resource-Adequacy-Enhancements

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **August 7, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the RA Enhancements fifth revised straw proposal:

☐ Support
☐ Support w/ caveats
☒ Oppose
☐ Oppose w/ caveats
☐ No position

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

1. System Resource Adequacy

Please provide your organization's feedback on the System Resource Adequacy topic as described in section 4.1. Please explain your rationale and include examples if applicable.

CLECA opposes CAISO's proposals to change rules for resource adequacy (RA) that are not coordinated with, as well as supported by, the CPUC. Certain elements of the unforced capacity (UCAP) proposal, such as reflecting individual resource outage performance, may have merit but the development of CAISO rules for their use must be coordinated with the California Public Utilities Commission's (CPUC) RA program and its rules. The CPUC RA program incorporates a planning reserve margin (PRM) which embeds the impact of unit

forced outages when grossing up the load target. The effect of grossing up load by the PRM is to increase the resources that will be required. The CPUC would need to adjust, or revise, the PRM to take into account removal of unit forced outages. In addition, the CPUC qualifying capacity rules would need to be changed to take into account individual unit performance.

In addition, CAISO tariff Section 40.4.1 provides, "The CAISO ***shall use*** the criteria provided by the CPUC or Local Regulatory Authority to determine and verify, if necessary, the Qualifying Capacity of all Resource Adequacy Resources."[1] It is the CPUC or local regulatory authority (LRA) that establishes the criteria for qualifying capacity. Regarding any reductions for performance, Section 40.4.5 states: "The CAISO will collaborate with the CPUC and other Local Regulatory Authorities to develop the performance criteria to be submitted to FERC."[2] Notably, CAISO's tariff Section 40.8, CAISO Default Qualifying Capacity Criteria, where the CAISO would use three years of historical data, is only applicable under the following two conditions:

> (i) where the CPUC or Local Regulatory Authority has not established and provided to the CAISO criteria to determine the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity for such eligible resource types ***and*** (ii) until the CAISO has been notified in writing by the CPUC of its intent to overturn, reject or fundamentally modify the capacity-based framework in CPUC Decisions 04-01-050 (Jan. 10, 2004), 04- 10-035 (Oct. 28, 2004), and 05-10-042 (Oct. 31, 2005).[3]

Neither of these condition has been met here. Thus, in CLECA's view, this initiative violates the CAISO's own tariff when the proposal states, "If LRAs [local regulatory agencies] do not adopt an ELCC [effective load carrying capability] methodology for DR resources, the CAISO proposes to use a historic performance based approach described below."[4]

CLECA continues to oppose the use of effective load carrying capability (ELCC) for measuring the performance of demand response programs as a replacement for the CPUC's approved load impact protocols (LIP). The CPUC has repeatedly endorsed use of the LIPs for the CPUC RA program and continues to do so to this day. Please see CLECA's prior comments in the RA Enhancements Initiative and the response below in the "additional comments" section regarding items not included as specific questions in this template.

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[1] CAISO Fifth Replacement Electronic Tariff, July 1, 2020 (emphasis added).
[2] CAISO Fifth Replacement Electronic Tariff, July 1, 2020.
[3] CAISO Fifth Replacement Electronic Tariff, July 1, 2020 (emphasis added); see also sections 40.8.1.13 and 40.8.1.14.
[4] CAISO, Resource Adequacy Enhancements Fifth Revised Straw Proposal at 36.

a. Please provide your organization's feedback on the Determining System RA Requirements topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.

b. Please provide your organization's feedback on the Unforced Capacity Evaluations topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

    i. Please provide your organization's feedback on whether the ISO should establish a dead band around a resource's UCAP value given the associated benefits and burdens, as described in section 4.1.2. Please explain your rationale and include examples if applicable.

    ii. Please provide your organization's feedback on Option 1 and Option 2 for calculating UCAP for new resources without three full years of operating history, as described in section 4.1.2. Please explain your rationale and include examples if applicable.

    iii. Please provide your organization's feedback on the ISO's approach to use the historical availability during the RAAIM hours for years prior to 2019 and the historical availability during the 20% tightest supply cushion hours in years 2019 and beyond for hydro resources, as described in section 4.1.2. Please explain whether this approach is necessary or preferred to the standard UCAP calculation to reflect hydro availability.

    iv. Please provide your organization's feedback on the modifications for UCAP counting rules for storage resources as described in section 4.1.2. Please explain your rationale and include examples if applicable.

c. Please provide your organization's feedback on the System RA Showing and Sufficiency Testing topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

d. Please provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications topic as described in section 4.1.4. Please explain your rationale and include examples if applicable.

    i. Please provide your organization's feedback on generally defining variations to the must offer obligations and bid insertion into the day-ahead market based on resources type, as described in Table 12 in section 4.1.4. Please explain your rationale and include examples if applicable.

e. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.5. Please explain your rationale and include examples if applicable.

f. Please provide your organization's feedback on the RA Import Requirements topic as described in section 4.1.6. Please explain your rationale and include examples if applicable.

    i. Please provide your organization's feedback on the issue of whether firm transmission service on the last line of interest to the CAISO BAA will ensure reliability and is feasible, or whether the CAISO should require point-to-point, source to sink firm transmission service as originally proposed, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

    ii. Please provide your organization's feedback on other BAA's systems bordering the CAISO and whether such a "last line of interest" proposal is feasible and would effectively support RA import capacity dependability and deliverability, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

iii. Please provide your organization's feedback on whether a non-compliance penalty or other enforcement actions are necessary if delivery is not made under firm transmission service, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

iv. Please provide your organization's feedback on how to convey the last line of interest, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

v. Please provide your organization's feedback on the options proposed in section 4.1.6 and any other potential mechanisms that would best ensure RA imports are dependable and deliverable if the CAISO were to adopt, as an alternative, a "last line of interest" firm transmission service requirement. Please explain your rationale and include examples if applicable.

g. Please provide your organization's feedback on the Operationalizing Storage Resources topic as described in section 4.1.7. Please explain your rationale and include examples if applicable.

2. Flexible Resource Adequacy

Please provide your organization's feedback on the Flexible Resource Adequacy topic as described in section 4.2. Please explain your rationale and include examples if applicable.

3. Local Resource Adequacy

Please provide your organization's feedback on the Local Resource Adequacy topic as described in section 4.3. Please explain your rationale and include examples if applicable.

a. Please provide your organization's feedback on the UCAP in Local RA Studies topic as described in section 4.3.1. Please explain your rationale and include examples if applicable.

4. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.4. Please explain your rationale and include examples if applicable.

a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.4.2. Please explain your rationale and include examples if applicable.

b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.4.3. Please explain your rationale and include examples if applicable.

c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.4.4. Please explain your rationale and include examples if applicable.

    i. Please provide your organization's feedback on an appropriate availability incentive design to apply to RMR resources after the removal of the RAAIM tool, as described in section 4.4.4. Please explain your rationale and include examples if applicable.

d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.4.5. Please explain your rationale and include examples if applicable.

5. Please provide your organization's feedback on the implementation plan, including the proposed phases, the order these policies must roll out, and the feasibility of the proposed implementation schedule, as described in section 5. Please explain your rationale and include examples if applicable.

6. Please provide your organization's feedback on the proposed decisional classification for this initiative as described in section 6. Please explain your rationale and include examples if applicable.

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Enhancements fifth revised straw proposal.

The UCAP proposal for thermal resources includes a methodology to determine Assessment Hours to identify which hours fall into the top 20% of tightest supply cushion hours for each season.[5] This appears to be conceptually similar to the CAISO's current Availability Assessment Hours (AAH). The UCAP proposal also outlines classifications of unit outage types which either are included or excluded in calculating a resource's UCAP value. The use of the UCAP Assessment Hours and outage classification allows a thermal resource to manage its performance to maximize its UCAP value. For demand response, the Straw Proposal seeks to use ELCC for establishing qualifying capacity. At the stakeholder meeting, a question was asked: If a demand response program is available during UCAP Assessment Hours and is designed to be available during those hours, would this result in maximizing its ELCC value? The response was no, it depends upon the hours of loss of load expectation (LOLE) in the reliability model used to calculate ELCC. This is a fundamental problem for both reliability and for sending a signal as to when resources are most needed on the system. If a resource is available during the UCAP Assessment hours, but does not receive a high ELCC capacity value, then either the UCAP Assessment Hours or the ELCC modeling is wrong.

A fundamental problem with using ELCC for demand response is that is difficult to design program availability when the outcome is based upon complex reliability modeling with inputs that are not transparent. In addition, the ELCC results are determined after the program availability design has been established. It would be unfair to request a person to show up for work from 4-9 pm, then later penalize the person because you really needed them at a different time but did not tell them about the time change. Yet this is the impact of trying to use ELCC results when

[5] CAISO, Presentation on Resource Adequacy Enhancements Fifth Revised Straw Proposal, Slide 31.

the resource mix and load profiles are changing. The result is a proverbial dog chasing its tail.

The straw proposal states that if the CPUC does not adopt ELCC, then the CAISO would seek to use a historic based approach for qualifying capacity.[6] As explained earlier, this conflicts with the CAISO tariff; the CAISO tariff recognizes that LRAs have jurisdiction over the criteria for calculating qualifying capacity. The historic methodology would use performance of 3 years of historical market dispatches compared to its actual performance. This does not work for all DR resources for several reasons. First, the amount of demand response will vary with the level of enrollments and three years of history will not necessarily capture future performance. Second, the proposal is also unnecessary, as the CPUC-approved Load Impact Protocols (LIP) already incorporate historical performance from both dispatches and tests and are superior because they forecast future demand response including any change in customer enrollment. The CAISO proposal could lead to over- or under-estimating the future impact of demand response due to changes in customer enrollment.

Notably, the straw proposal is not consistent with CAISO's tariff when the LRA has not adopted a qualifying capacity for new demand response resources. CAISO tariff section 40.8.1.13 provides, "For a Proxy Demand Resource with fewer than three years of performance history, for all months for which there is no historic data, ***the CAISO will utilize a monthly megawatt value as certified and reported to the CAISO by the Demand Response Provider***" and section 40.8.1.14 provides, "For a Reliability Demand Response Resource with fewer than three years of performance history, for all months for which there is no historic data, ***the CAISO will use a monthly megawatt value as certified and reported to the CAISO by the Demand Response Provider***."[7] Yet the straw proposal doesn't discuss the counting of new resources and does not conform to these tariff provisions.

Finally, for DR providers, the historical data approach would combine programs at the scheduling coordinator level instead of the resource ID level.[8] It is CLECA's understanding that some scheduling coordinators provide services for multiple DR providers. Blending data at the scheduling coordinator level would make it impossible to differentiate individual resource performance for DR different DR providers, or different type of DR programs. This appears contradictory to the UCAP proposal that seeks to incorporate individual unit availability performance to establish qualifying capacity in an RA program.

[6] Straw Proposal at 36.
[7] CAISO Fifth Replacement Electronic Tariff, July 1, 2020 (emphasis added).
[8] Straw Proposal at 36.