



## Stakeholder Comments Template

### Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fourth revised straw proposal that was published on March 17, 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **April 14, 2020**.

Submitted by	Organization	Date Submitted
<i>Brian Theaker</i> 530-295-3305	<i>Middle River Power, LLC</i> ("MRP")	<i>April 14, 2020</i>

#### Please provide your organization's overall position on the RA Enhancements fourth revised straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

MRP does not yet support implementation of a UCAP paradigm as part of the RA Enhancements initiative. So, while the elements presented in the Fourth Revised Straw Proposal ("4RSP") largely presume the implementation of a UCAP paradigm, MRP would still like to comment on the 4RSP. MRP also expects the CAISO is still interested in receiving MRP's positions on the issues presented in the 4RSP. MRP offers the comments below and respectfully requests that the CAISO take MRP's comments on the 4RSP in that context. To reiterate: MRP's comments on the 4RSP should not be read to imply MRP's support for a UCAP paradigm, but MRP is nevertheless responding to the CAISO's request for comment. Additionally, MRP notes that ongoing developments related to the implementation of a central buyer may affect MRP's and other market participants' perspectives on some issues, such as the CAISO seeking to expand its backstop authority.

- MRP supports the CAISO's proposal to use stochastic techniques in its deficiency analysis. MRP agrees that using stochastic techniques will force a follow-on

discussion about determining (1) when a deficiency that must be cured exists and (2) how much backstop procurement is required to cure a deficiency.

- MRP supports the CAISO's efforts to reform the planned outage process and offers a new principle to add to the CAISO's proposed objectives and principles: ***to approve or reject planned outages as soon as possible after they are submitted to provide resource owners with the greatest amount of forward certainty regarding their planned outage requests.*** MRP offers that adopting annual RA requirements would be the best way to support planned outages, and comments on the CAISO's two proposed options for reforming the POSO process. MRP supports and appreciates the CAISO's proposal to continue to allow for short-term opportunity and off-peak outages.
- MRP strongly supports the CAISO's proposals dealing with RA Imports.
- MRP does not object to the CAISO's proposal for expanding its CPM authority.
- MRP supports the CAISO's proposal to create a UCAP deficiency tool but observes that the 4RSP inadvertently referred to resources, not LSEs, in its description of this tool.
- MRP generally supports the CAISO's proposed implementation plan and schedule. MRP urges the CAISO to coordinate changes to RA import rules with the CPUC if the CPUC moves quickly to adopt better RA import rules, but not to wait for the CPUC to implement its proposed changes if the CPUC does not act quickly.
- MRP supports the CAISO's proposal to seek approval of the RA Enhancements provisions only from the CAISO Board.

**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.

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

MRP supports the CAISO using stochastic analysis for its deficiency assessment. MRP also supports the CAISO conducting this analysis using only shown RA.

The CAISO proposes that, if it determines that a collective UCAP deficiency exists, it will first allow for a cure period and then engage in backstop procurement as needed. MRP requests the CAISO provide additional detail as to how, in the case where there are no individual deficiencies but there is a collective deficiency, it will allow or direct LSEs to cure the deficiency. (The

CAISO has proposed it will provide additional detail as to how it will determine the amount of backstop procurement needed to cure a collective deficiency.)

MRP agrees that determining the level of deficiency at which CAISO will engage in backstop procurement and how much backstop procurement it will engage in are important details that warrant further work and will engender much discussion.

MRP continues to support the CAISO's proposal to not allow load-serving entities ("LSEs") to procure only the "good part" (i.e., the unforced capacity amount) of a resource (4RSP at page 8). The CAISO is proposing that this prohibition also would extend to partial unit sales. While the CAISO is proposing that only UCAP procurement would have to be shown, in this paradigm, generators and LSEs still will have to track both UCAP and QC sales and purchases.

- b. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

MRP supports the CAISO's objectives and principles, which are to:

- Encourage resource owners to enter outages as early as possible
- Avoid cancellation of any approved planned outages to the extent possible
- Minimize or eliminate the need to require substitute capacity to greatest extent possible
- Identify specific replacement requirements for resources requiring replacement
- Allow owners to self-select, or self-provide, replacement capacity
- Include development of a CAISO system for procuring replacement capacity

MRP offers one additional principle for the CAISO's consideration:

- Approve or reject planned outages as soon as possible after they are submitted to provide resource owners with the greatest amount of forward certainty regarding their planned outage requests.

This principle is a natural companion to the CAISO's first principle: if the CAISO wants to encourage resource owners to submit planned outage requests as far in advance as possible, the CAISO must act on those requests as far in advance as possible. Because resource owners must secure equipment and crews on a far-forward basis, it is expensive and disruptive for the CAISO to cancel outages not far in advance of the requested date. As an example of the asymmetry between the expectations for submitting outage requests and when the CAISO ultimately generators, MRP recently received a Planned Outage Substitution Obligation for a planned outage MRP originally requested *in 2016*.

The CAISO offers two options for reforming its planned outage evaluation process:

1. Establish a planned outage reserve margin for the off-peak months
2. Secure planned outage replacement capacity through a daily market run by the CAISO.

*First*, MRP would support a variation of option 1, namely, adopting annual, instead of monthly, system RA requirements. Annual system RA procurement would provide a suitable cushion of surplus capacity, analogous to the off-peak capacity cushion currently provided by annual local capacity requirements. Annual RA requirements would reflect the fact that the resources that meet RA requirements, whether in a single month or in all months, incur costs in all months. MRP acknowledges that this is a fundamental change to the nature of the RA requirements adopted by the CPUC in 2004, but, given the ongoing and now growing challenges in that program, offers that the time is ripe to reconsider this fundamental change to the RA program.

Assuming that a move to annual system RA requirements is not in the cards, and, further assuming that, under the inconvenient and complicated structure of monthly system requirements RA, there would be considerable pushback for increasing the off-peak monthly requirements to allow for planned maintenance, MRP expects that the CAISO's daily substitution market proposal will get the most support from LSEs. MRP agrees with the CAISO that there are significant issues involved in defining and implementing such a market and this market's interaction with the planned outage approval process (e.g., what if there is available substitution capacity for only 13 days of a two-week outage?) MRP notes that, under the current monthly design of the RA program, the pool of resources that can sell capacity into this daily market won't be known at or just before the T-45 showing (because those resources won't know what non-RA capacity they may have available), so it seems unlikely the CAISO will be able to use this daily market to support the approval of outages that are requested well in advance – which does not support MRP's proposed additional principle of providing resource owners with as much advance certainty as possible.

MRP also agrees with the CAISO that this proposal, along with the CAISO's principle allowing resource owners to self-provide substitute capacity, does not eliminate incentives for generators and LSEs to withhold capacity to self-insure against CAISO substitution capacity costs.

MRP supports the CAISO's proposal to publish a daily calendar to show the amount of "headroom" available. The value of this calendar will depend, in significant part, on how far in advance the CAISO publishes this information.

It would be ideal if the CAISO could implement a process in which the CAISO would approve in short order requests for planned outages for periods for which the look-ahead calendar shows sufficient headroom.

Finally, MRP supports and appreciates the CAISO's proposal to continue to provide for short-term opportunity and off-peak outages. MRP views this as a win-win that will allow generators to take as-needed outages under controlled conditions that will not affect system reliability and, at the same time, not exacerbate incentives for generators to take forced outages.

- i. Please provide your organization's feedback on when bids should be submitted and how and when they could be changed under Option 2: CAISO procures all planned outage substitution capacity, and what are the implications of doing so under any proposed option.

As noted above, given that generators may not know what capacity they have is eligible to be bid into the auctions until at or just before the monthly RA showings, generators cannot submit bids until they know this information.

- ii. Please provide your organization's feedback on whether or not the Planned Outage Substitution Capacity Bulletin Board is necessary and, if so, why given the effort to develop and maintain.

Making available a voluntary bulletin board for parties to bilaterally transact substitute capacity has pros and cons, depending on whether the CAISO will be running a substitute capacity market. If the CAISO is running a substitute capacity market, a bilateral bulletin board has the potential to diminish the depth of the CAISO's substitute capacity market. The pro is that a bilateral bulletin board would help suppliers self-provide substitute capacity, if an objective of this initiative is to facilitate self-supply of substitute capacity, as noted above.

- b. Please provide your organization's feedback on the RA Import Provisions topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

MRP strongly supports the CAISO's proposed RA import objectives and principles, namely, to:

- Modify RA import provisions to ensure that RA imports are backed by physical and verifiable capacity with firm transmission delivery.
- Create more comparable treatment for RA imports to internal RA resources. The current provisions provide less rigorous requirements for RA imports.

- Coordinate import provisions with any related modifications being proposed through CAISO's extended EIM and DAME initiatives. Coordination between the RA Enhancements initiative, Day-Ahead Market Enhancements (DAME) initiative, and Extension of the Day-Ahead Market for EIM (EDAM) is vital to ensure all of the interrelated aspects work together without unintended consequences.

MRP also strongly supports the CAISO's proposal to:

- Eliminate the use of non-resource specific energy contracts to qualify as RA import capacity (though such contracts can and should be used for energy hedging purposes);
- Eliminate any anachronistic reference to RA imports being backed by or associated with reserves;
- Require source-specific information at the time of the RA showing;
- Require an attestation that the RA import represents capacity that is surplus to the host BA's needs and is dedicated to serving California's needs under all conditions for the period for which it is RA capacity;
- Require that the RA importer secure firm transmission over which it can deliver the energy from the RA import resource to the CAISO BAA delivery point. MRP acknowledges that RA imports secure transmission service in ways different than resources internal to the CAISO secure transmission service, but holds that requiring a demonstration of firm transmission service at the RA showing is analogous to the CAISO's forward deliverability analysis.
- Extend the Must-Offer Obligation for RA imports to the CAISO's real-time market.

MRP strongly supports the CAISO modifying its tariff as described to accomplish these aspects of its proposal.

### **3. Backstop Capacity Procurement Provisions**

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.2. 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 4.2.1. Please explain your rationale and include examples if applicable.

Again, while MRP is not yet ready to support a UCAP paradigm, MRP understands the CAISO's proposal to expand its backstop authority to address UCAP deficiencies and the need to ensure energy sufficiency within a local area. MRP supports the CAISO's proposal to expand its backstop authority to address energy shortfalls in local areas, especially if the CAISO will be conveying sufficient

information through the LCR process for LSEs to understand the energy requirements and to encourage LSEs to procure sufficient energy themselves.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.2.2. Please explain your rationale and include examples if applicable.

See above.

- c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.2.3. 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 RAIM tool.

The CAISO should revert to the original availability provisions in the RMR agreement.

- d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.2.4. Please explain your rationale and include examples if applicable.

In the 4RSP, at page 38, the CAISO says the purpose of the UCAP deficiency tool is "...to apply a charge to **resources** that show less than their UCAP requirement, and distribute those collected charges to **resources** showing above their requirements." The CAISO goes on to describe the purpose of the UCAP tool is to prevent "leaning", and uses LSEs in its numerical examples. In this light, MRP assumes that the CAISO meant to use the term "LSEs" instead of "resources" in the sentence quoted above.

Again, while MRP is not yet ready to support a UCAP paradigm, MRP understands the CAISO's purpose in proposing to implement a tool to discourage LSEs from leaning with regards to procurement in whatever paradigm is implemented. The deficiency tool should be designed to encourage responsible and effective LSE procurement.

4. 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.

The CAISO's proposed implementation schedule is:

Phase One: (2020 for RA year 2021)

- MIC Enhancements (New initiative)

- Portfolio analysis to ensure system sufficiency – Develop and test and production simulation platform for manual testing and analysis (no changes to tariff authority)
- Slow demand response

Phase Two: (2021 for RA year 2022)

- RA Import provisions
- Portfolio analysis, including CPM authority for portfolio deficiencies
- Planned outage process enhancements
- Local studies with availability limited resources CPM clarifications
- Must offer obligations and bid insertion rules
- Flexible resource adequacy

Phase Three: (2022 for RA year 2023)

- Capacity counting rules and forced outage assessments

In general, MRP supports this proposed implementation plan and schedule.

MRP supports the CAISO's proposal to evaluate sufficiency analyses in 2020 and respectfully urges the CAISO to timely share the results of those analyses with market participants with as much detail as possible.

The CAISO should coordinate the implementation of its RA Import provisions with the CPUC's adoption of "permanent" rules regarding RA imports. MRP hopes the CPUC will adopt sensible rules regarding RA Imports in 2020 for the 2021 RA year; if this happens, MRP urges the CAISO to accelerate its proposed deployment of its RA Import provisions accordingly. If the CPUC should slip, MRP nevertheless urges the CAISO to implement its proposed RA import revisions no later than 2021 for the 2022 RA compliance year.

5. 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.

MRP supports the CAISO's proposal to seek only CAISO Board approval of provisions related to this initiative.

### **Additional comments**

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