Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements third revised straw propopsal that was published on December 20, 2019. The proposal, atakeholder 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 **January 27, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization's comments on the following issues and questions.

Thank you for the opportunity to provide comments. MSCG appreciates the CAISO's effort to solicit feedback from a broad range of market participants. Canvassing from amongst a diverse group of voices will help ensure that the final RA rules will enable and incentivize all reliable suppliers that can offer RA, to do so. Importantly, the CAISO should strive to implement final RA rules that (i) result in increased reliability and (ii) do not needlessly reduce competition.

MSCG's comments are focused on the key aspects of the proposal in regards to import RA.

1. System Resource Adequacy

Please provide your organization's feedback on the System Resource Adequacy topic as described in section 5.1. Please explain your rationale and include examples if applicable.

Section 5.1.4 Must Offer Obligation

Given the introduction of the Imbalance Reserve Product, MSCG is supportive of CAISO's proposal for a 24 by 7 must offer obligation (MOO) in day ahead and the corresponding requirement to bid into the realtime market *if awarded day-ahead or in RUC.* This aligns the MOO for internal RA resources and system RA imports and importantly allows importers that are not dispatched in day-ahead to offer their energy elsewhere in realtime. This results in a reduction in the opportunity costs and resulting premiums for offering the system RA import product. MSCG views the development of the Imbalance Reserve Product as an important tool to incentivize those resources that have sufficient ramping flexibility to offer that resource into CAISO markets to help better manage realtime imbalances.

Section 5.1.6 RA Import Provisions

MSCG is supportive of CAISO efforts to ensure Import RA resources that are sold are not double counted and are backed by physical resources capable of reliable delivery. That said, MSCG does not believe the new rules should be drafted to be so restrictive, that legitimate physical supply capable of delivery is discouraged, or worse, prohibited from participating in the RA market. MSCG is concerned that the current direction of new rules will enable only a small subset of suppliers associated with vertically integrated utilities with a single balancing authority to effectively participate in the import RA markets. It is imperative that the final rules that are adopted allow for and encourage the participation of a diverse set of suppliers that have a portfolio of physical resources that may be located in several balancing authorities.

There was considerable discussion at the January 8, 2020 stakeholder session with respect to simultaneous peak loads and making import RA supply 'non-recallable' by their host BAs. Ironically, MSCG believes it will be vertically integrated utilities that will find it most challenging to attest that they will curtail their *own native load,* prior to curtailing any import RA exports to California. In contrast to the foregoing, a marketer that aggregates merchant generation (often funded by investors, not local ratepayers), located across several BAs is not obligated, or under contract, to any native load. Yet the rules are being written such that it will be easier for vertically integrated utilities with a single BA to participate in the RA market rather than a reliable aggregator of merchant supply across several BAs. Indeed, a portfolio of physical resources located in several BAs lessens the potential impact of simultaneous peaks.

MSCG would like to see several enhancements to the rules to ensure broad participation and competition in the RA market from all eligible suppliers that have physical resources.

These include:

1) If CAISO proceeds with the requirement to specify a Source BA for any NRS-RA imports it is imperative the CAISO clarify that: i) a portfolio of resources can be listed with multiple BAs as supporting an RA sale; and ii) substitution will be permitted through to the delivery hour. Permitting a firm energy schedule from a substitute resource in another BA or from another resource in real-time is more economically efficient and at the same time enhances reliability. Given the attestation that RA capacity is available to the CAISO and not double counted, this provision provides for more efficient dispatch in the overall market and at the same time increases overall reliability in the CAISO.

In the CAISO's latest proposal, it seems to suggest that substitution will be allowed. In the Day 1 Presentation slides, on page 99, CAISO indicates that "SCs can update BA source through CIRA". However, this is not indicated anywhere in the straw proposal. MSCG believes CAISO should clarify the exact timelines of source BA substitution and MSCG recommends that the source BA should be able to be substituted right up until the hour of flow according to realtime Etagging deadlines established by NERC. It was evident from the stakeholder conference call that the desire to have the source BA (or BAs) backstopping import RA identified in advance was to ensure there was no double counting of resources during the *planning horizon*. However, once we are passed the planning horizon, there should be no limits placed on reliable flow in the *operating horizon*. If due to a unit outage or a transmission curtailment, a supplier can source the firm power elsewhere and reliably deliver that power to the CAISO when dispatched, why limit this ability in the operating hour? The rules should be flexible enough to enable reliable suppliers to deliver on their obligations, not needlessly limit flexibility and competition.

2) MSCG believes complying with CAISO's requirement to list the Source BA or BAs on the annual and monthly showings along with providing attestations outlining the specific resource associated with each contract and intertie should suffice to indicate that it is in fact a resource-specified import RA.

3) The CAISO should undertake a thorough analysis of the data, including timelines for transmission procurement, evaluation of seams issues and consideration of market power around transmission hoarding prior to making any requirements for an advance showing of firm transmission in the planning horizon.

The CAISO states on page 51 of their proposal:

> "Specifically, all LSEs must submit supporting documentation that any non-specified RA import resource *shown on annual and monthly RA and Supply plans* represent physical capacity and *firm transmission* (emphasis added). This will ensure RA imports are backed by a forward commitment of physical capacity with firm transmission delivery and sufficient operating reserves to back obligations."

Is the CAISO suggesting that firm transmission from _source to CAISO_ must be in place, in the planning horizon, for every hour of the following year before a supplier with real physical capacity can enter into an annual RA supply contract in October of the preceding year? Has the CAISO performed an analysis of when firm transmission comes up for sale on neighboring BA systems to ensure this requirement does not unnecessarily limit participation in the RA market by suppliers with real physical resources? Has the CAISO considered the seams issues and the timing issues that suppliers face in procuring this firm transmission or if its even available for purchase prior to the annual RA supply showing in October of each year?

Notwithstanding CAISO's well intentioned belief that requiring firm transmission on the entire path at the time of the RA showing may increase reliability, it is MSCG's assertion that such a requirement will instead needlessly exclude legitimate, dependable, and proven supply that would otherwise participate in providing reliable supply to California's RA market from participating in the market. A blanket firm transmission requirement _all of the way from source to sink_ will again favor vertically integrated utilities that hold long term firm transmission rights from their source BA to the sink (because their portfolio source never changes, regardless of substitution of resources inside their BA) and will reduce competition without discernable improvement in the reliability of delivery.

The number of suppliers that hold firm transmission from source to sink across (i) multiple transmission paths and (ii) multiple transmission providers from source to sink is very limited. In contrast, there are many suppliers who hold generation rights to Firm Energy supply with Operating Reserves from specified resources and can access a mix of both firm and released firm transmission rights. These transmission rights could even include the release of capacity held by long term rights holders that is left unscheduled.

MSCG previously provided comments to the CPUC in Rulemaking 17-09-020 on July 19, 2019. In those comments MSCG pointed out that firm transmission capacity is not required when parties are selling under contracts such as the EEI firm liquidated damages product or the WSPP Schedule C agreement, because these contracts themselves constitute resources that are sufficiently firm. MSCG, for example, sells under WSPP Schedule C ("Firm Capacity/Energy Sale or Exchange Service"), which means it is selling firm capacity or a firm commitment of capacity resources.

FERC has found this type of resource to be sufficiently firm and has not required suppliers to show the upstream transmission. *See* 121 FERC ¶ 61,297 at P 822, 832-34 (2007) ("Order No. 890-A") (finding that the "make whole" LD provisions in the EEI firm LD product and the WSPP Schedule C agreement are sufficiently firm to be eligible for designation as a network resource). Pursuant to FERC's Order 890 and 890-A, FERC has determined that (i) both specific unit contingent resources or market-supply contracts are acceptable forms of Resource Designation for serving network load and additionally, and (ii) market-supply contracts need not be sourced from a single balancing authority.

A firm transmission requirement "at time of RA supply plan showing" could lead to unintended consequences of transmission 'hoarding' whereby long term rights holders block access to John Day and Big Eddy, only to re-direct their transmission to serve their own loads after the RA showing deadline has passed. Does the CAISO have the capability and authority to monitor this type of activity outside of its footprint? A blanket firm transmission requirement does not consider the complex seams issues that exist in the transmission markets outside the CAISO.

By way of example: To move energy from any source in the Pacific Northwest to California requires at least two legs of transmission. Generally, one leg of "network" transmission to access either Big Eddy or John Day and another leg of "Southern Intertie" transmission to access Nevada Oregon Border ("NOB") and California Oregon Border ("COB"), respectively. The Southern Intertie is linear (ie: Big Eddy to NOB or John Day to COB) and has been fully subscribed for years (if not decades) and is generally accepted to be the constrained path when moving energy south from PNW to California. The "network" transmission on the other hand is like spaghetti with multiple points interconnected and Available Transmission Capacity ("ATC") determined by flow gates. MSCG has found that network transmission to access Big Eddy and John Day is available in the operating horizon, but not necessarily as firm *by October of the preceding year (planning horizon),* in time for the annual RA showing.

This is due to seams issues around how transmission is reserved, evaluated, released and awarded. For example, there are several pre-FERC 888 grandfathered blanket transmission contracts on the "network" that reserve many path combinations across the network. Once these contracts are scheduled however, the remaining paths are released to market. The majority of time these grandfathered contracts are used to move energy to the load of the utilities holding these grandfathered contracts. But the way the grandfathered rights work, the space to Big Eddy and John Day cannot be released until these grandfathered contracts are scheduled. Therefore, there could be ample firm transmission available (2000MW +) to get to Big Eddy and John Day but it won't be available for market participants to purchase it until it is released.

In addition, in MSCG's recent experience it can take years for a long term firm network transmission request to be studied and finally awarded.

This is why we believe this issue was fully vetted by CPUC when they came up with their original definitions. The current CPUC requirements as reiterated by CAISO on page 53 of the proposal are:

> 'The qualifying capacity for import contracts is the contract amount if the contract (1) is an Import Energy Product with operating reserves, (2) cannot be curtailed for economic reasons, and either (a**) is delivered on transmission that cannot be curtailed in operating hours for economic reasons or bumped by higher priority transmission** or (b) **specifies firm delivery point** (i.e., is not seller's choice)."

MSCG strongly believes this definition should not be changed due to the aforementioned seams issues.

Recommendation:

If CAISO insists on a forward showing of firm transmission, it should be limited to known constrained paths immediately preceding CAISO delivery points only (ie: John Day to COB or Big Eddy to NOB) that are backed up by statistics showing they are constrained a majority of the time throughout the year. Any requirements to go upstream of that opens up myriad seams issues that CAISO has little to no ability to monitor and will needlessly restrict reliable supply from participating in the import RA markets without any demonstrable improvement in the reliability of RA commitments.

Please provide your organization's position on the System Resource Adequacy topic as described in section 5.1. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

1) In the Straw Proposal CAISO indicates that "it is considering the need for day-ahead tagging requirements for all import transactions under the CAISO's Extended Day-Ahead Market (EDAM) Initiative." In the Presentation slides (page 103) it states "CAISO does not believe new or modified E-tagging requirements are necessary to support the propposted documentation at this time" and CAISO is seeking input on this requirement.

   MSCG is opposed to arbitrary new requirements for Day Ahead etagging that is outside what is already required by NERC timelines. CAISO should demonstrate why this is required and how it will improve reliability, taking into account transmission release rules on neighboring systems and potential seams issues that a Day Ahead etagging requirement would cause. There has been no evidence presented that a Day Ahead etag requirement is necessary or would bolster reliability.

   Without a thorough review of transmission release rules on neighboring balancing authorities, the CAISO may be unwittingly limiting participation in its markets to holders of long term firm transmission rights. As CAISO pointed out in its whitepaper on page 54 when discussing bidding requirements for RA imports, "[t]he efficient utilization of the transmission system is an important factor to consider." Transmission should be released to the most economic energy imports otherwise holder of firm transmission rights may not have pricing discipline if they know that others cannot access the transmission in time to honor a Day Ahead etag requirement.

2. Flexible Resource Adequacy

Please provide your organization's feedback on the Flexible Resource Adequacy topic as described in section 5.2. Please explain your rationale and include examples if applicable.

Please provide your organization's position on the Flexible Resource Adequacy topic as described in section 5.2. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

3. Local Resource Adequacy

Please provide your organization's feedback on the Local Resource Adequacy topic as described in section 5.3. Please explain your rationale and include examples if applicable.

Please provide your organization's position on the Local Resource Adequacy topic as described in section 5.3. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

4. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 5.4. Please explain your rationale and include examples if applicable.

Please provide your organization's position on the Backstop Capacity Procurement Provisions topic as described in section 5.4. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Additional comments

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

MSCG requests updated analysis

The CAISO continues to publish data from the June 2017 to 2018 period as indicative of market participant behavior regarding import RA performance. Since that time, two additional peak summer periods have passed. If CAISO is basing important policy decisions on this data, the most up to date information should be used. MSCG requests that CAISO provide an updated analysis of Figures 11 to 14 that were published in the 3rd revised straw proposal, this time showing import RA bids and awards for summer 2018 and 2019, specifically for the AAH hours. This additional information could provide valuable information regarding whether there is still a concern regarding import RA performance.