



Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy (RA) 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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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.

The California Independent System Operator (CAISO) proposes to require Resource Adequacy (RA) import resources to specify either the balancing area (BA) from which the resource is sourced or the specific resource supplying the RA capacity. The Straw Proposal states that this information would "assist in ensuring that RA imports are not being double counted for Energy Imbalance Market (EIM) resource sufficiency tests."¹ It is unclear how information on an import's BA would prevent double counting since it provides no visibility into whether the resource is counted for RA in another BA. The CAISO's knowledge of the source of import capacity would not prevent double counting unless the CAISO could also determine whether another BA relied on that same capacity for RA. The CAISO should explain if and how it is possible to verify that import RA capacity is not double counted using only the import's BA or resource identifier.

¹ CAISO's *Resource Adequacy Enhancements Straw Proposal-Part 1*, December 20, 2018 (Straw Proposal), p. 8.

2. RAIM 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.

The CAISO intends to explore accounting for the probability of future forced outages when calculating the Net Qualifying Capacity (NQC) of resources.² It is not clear whether the CAISO proposes to develop resource specific probabilities, or a broader estimate based on overall forced outage rates. Decreasing the NQC of resources by relying on a statistical analysis of forced outages would (1) penalize resources for events over which they may have no control, and (2) could fail to provide an incentive for resources to mitigate forced outages caused by events that are within the control of the resource owner after its NQC is decreased.

Forced outages are often caused by uncontrollable phenomena like weather events, that are difficult to accurately predict and may be difficult to protect against. In contrast, consistent forced outages due to mechanical failure could be resolved by enhanced maintenance or capital investment in a resource. Modifying the existing Resource Availability Incentive Mechanism (RAIM) structure to better incentivize maintenance and capital replacement, such as by penalizing resources that have excessive forced outages due to mechanical failures, might result in fewer forced outages than de-rating the NQC of a class of resources or single resources based on assumptions of future failures. If the CAISO seeks further development of this proposal, the CAISO should describe its proposed process for calculating probabilities of outages and explain how its proposed new probability of outage metric would fit into existing qualifying capacity deliverability assessments currently conducted by the CAISO.

The CAISO is also considering other adjustments to NQC counting rules to focus on future availability rather than capacity already sold as RA.³ The CAISO has not yet developed the details of the proposed revisions to the NQC counting rules, but the CAISO should consider the impact of those revisions on current contracts. Adjusted NQC calculations may reduce the RA value of existing resources and contracts, requiring load-serving entities (LSEs) to quickly procure additional capacity to meet their CPUC RA requirements. Ratepayer costs would increase if additional procurement is necessary to meet requirements if existing resources are suddenly calculated to be less reliable.⁴ Existing RA contracts may gain or lose value if the resource's NQC changes. Many existing contracts determine payment on the NQC provided by the resource, but

² RA Enhancements Straw Proposal Part 1 Stakeholder Call Slides, January 23, 2019 (Slides), p. 22 and Straw Proposal, pp. 16-17.

³ Slides, p. 22.

⁴ This adjustment would have similar impacts as the implementation of Effective Load Carrying Capability, which decreased the NQC of solar and adjusted the monthly NQC of wind resources, was observed to decrease total contracted RA volumes by 5.3%. This amount only applies to data available to the CPUC. See Current Trends in California's RA Program, February 16, 2018, p. 8 and p. 32.

many active legacy contracts use a fixed contracted capacity amount which LSEs must pay to the resource owner. A decreased NQC would decrease the RA value of the contract without a proper adjustment of payment unless the LSE is able to negotiate a contract modification.

- b. Please provide your organization's feedback on the RAIM Enhancements topic. Please explain your rationale and include examples if applicable.
 - i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

The CAISO states that although it continues to believe compliance with day-ahead bidding obligations remains important, for purposes of any availability/performance assessment, it is considering assessing only real-time bidding and performance.⁵ While assessing both day-ahead and real-time bidding obligations is complex, these assessments are meant to incentivize proper bidding. If the CAISO stops assessing day-ahead bidding, is bidding behavior likely to change? If the CAISO can show that bidding behavior is unlikely to change or that the current assessments do not provide an incentive to bid, then no longer assessing day-ahead bidding would be reasonable. However, if it appears that bidding behavior is likely to change such that resources would no longer bid in the day-ahead market, then the CAISO should address the potential negative impacts on day-ahead bidding before deciding that it will no longer assess compliance with day-ahead bidding obligations.

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.

⁵ Straw Proposal, p. 16.

The CAISO proposes that slow Reliability Demand Response Resources (RDRR) should not be eligible to count as local RA because they can only be dispatched after the CAISO calls a Warning or an Emergency.⁶ The CAISO cannot declare Warnings or Emergencies in anticipation of an emergency to access RDRR.⁷ In comparison, the CAISO can dispatch slow DR bid-in through Proxy Demand Response (PDR) on a pre-contingency basis, before declaring a Warning or Emergency through bidding options proposed in the Energy Storage and Distributed Energy Resources Phase 3 (ESDER 3) initiative.

The CAISO proposes to present the ESDER 3 initiative to the Board in November 2019. If the CAISO Board adopts and implements the proposal preventing the use of slow RDRR resources to meet local RA requirements, then ratepayer funded slow RDRR would no longer count towards meeting local RA. The CAISO should clarify when it proposes to implement this proposal. The most recent DR decision adopted activities and budgets for 2018 through 2022.⁸ The utilities will submit advice letter filings updating their programs in 2020. Therefore, coordination is necessary to ensure that ratepayers only continue to pay for DR that provides a benefit in reducing RA requirements. The utilities also contract with third-party DR providers through the DR Auction Mechanism (DRAM) and if the CAISO's proposal is adopted, the solicitation specifications for the DR Auction would require updates to disallow contracts that could not reduce RA requirements.

Additional comments

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

No additional comments.

⁶ Slow Demand Response (DR) resources are any DR resource that cannot respond in 20 minutes when called for dispatch.

⁷ Straw Proposal, p. 31.

⁸ Decision 17-12-003.