California ISO

Stakeholder Comments Template

RA Enhancements – Straw Proposal Part 2, February 27, 2019

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

1. Review of counting rules in other ISO/RTO's

Please provide your organization's feedback on this topic, described in Section 4.1. Please explain your rationale and include examples if applicable.

The Public Advocates Office has no comment at this time.

2. Capacity counting and availability best practices

Please provide your organization's feedback on this topic, described in section 4.2. Please explain your rationale and include examples if applicable.

The Public Advocates Office has no comment at this time.

3. RA counting rules and assessment enhancements

Please provide your organization's feedback on the following sub-section topics, described in section 4.3.

Please indicate any analysis and data review that your organization believes would be helpful to review on the this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

a. Calculating NQC, UCAP, and EFC values topic, described in section 4.3.1.

In discussing the general methodology for calculating Unforced Capacity (UCAP), the CAISO seeks input on how to determine the Effective Forced Outage Rate of Demand (EFORd).[1] The EFORd would be applied as a function of a resource's Net Qualifying Capacity (NQC) to

[1] CAISO Resource Adequacy Enhancements Straw Proposal – Part 2, February 27, 2019 (Straw Proposal), pp. 15-17.

determine its UCAP, essentially creating a capacity amount similar to NQC but with forced outage rates embedded in the quantity.

The Public Advocates Office looks forward to additional stakeholder discussion on this issue and offers the following recommendations.

The CAISO asks if the EFORd should be calculated seasonally.[2] The CAISO should calculate the EFORd using monthly outage rates since NQC amounts are currently assigned as monthly values and system RA requirements are monthly rather than a single annual number. This would reflect a resource's tendency to go on forced outage at certain times of the year which may vary by technology class. For example, natural gas peaker plants may experience more forced outages in the Summer when they are dispatched more often, but baseload resources may not have a particular month in which forced outages tend to occur. A seasonal approach may also be preferable in order to smooth out the UCAP value of resources. If a resource has a devastating forced outage in October, its UCAP for that month would be decreased for a number of years afterwards. This may lead an LSE that contracts with or owns the resource to seek a single month of capacity from another resource for a number of years, especially if it is a small LSE with a limited portfolio.

The CAISO also proposes to use three to five years of historical data to count forced outage rates and their duration as a part of calculating the EFORd.[3] The Public Advocates Office recommends using three years of historical data. This would allow resources to more quickly realize the benefits of upgrades and maintenance that can decrease forced outage rates. The question of how many years of data to use should be considered along with the question of whether monthly, seasonal, or annual EFORd values should be used. If a monthly EFORd is adopted, then it may be better to choose to use five years of historical outage data. This would smooth out the resource's UCAP and avoid having particular months in which an LSE would have to seek monthly capacity contracts. Conversely, if an annual EFORd is adopted, then the UCAP would be less affected by isolated EFORd events so three-years of data should be chosen to maintain the incentive to avoid forced outages.

b. Determining System, Local, and Flexible RA requirements topic, described in section 4.3.2. Please explain your rationale and include examples if applicable.

The Public Advocates Office has no comment at this time.

c. RA showings, supply plans, and assessments topic, described in section 4.3.3. Please explain your rationale and include examples if applicable.

The Public Advocates Office has no comment at this time.

d. Backstop capacity procurement topic, described in section 4.3.4. Please explain your rationale and include examples if applicable.

[2] Straw Proposal, p. 17.
[3] Straw Proposal, p. 17.

The CAISO is currently considering three different methods to determine if a deficiency exists with specific approaches to cure possible system RA UCAP deficiencies through backstops, as discussed below.[4]

An LSE-specific deficiency check would lead the CAISO to procure backstop capacity to fill the deficiency amount of each specific LSE who is found below UCAP requirements. CAISO recognizes that it would procure backstop capacity even if the system is not deficient as a whole, creating the possibility for over-procurement on a system-wide basis.[5] This test should not be implemented since specific LSEs will already be required to meet CPUC system RA requirements of NQC amounts. The CPUC should continue to be responsible for both the design of individual LSE requirements as well as for enforcement of RA requirements at the Local Regulatory Authority area. Ratepayer costs would also increase since the CAISO could perform backstops to procure capacity above net system UCAP requirements.

A System UCAP test method would assess the whole system for any net UCAP deficiency. A system deficiency would be cured by backstop procurement by the CAISO, with the costs and RA credits allocated proportionally to deficient LSEs. Of the three tests considered by the CAISO, the Public Advocates Office finds this one the most favorable. The System UCAP test method is most similar to current backstop mehanisms. This method would procure just enough capacity to cure system deficiencies and minimize over-procurement. Assigning costs on a deficiency ratio-share basis is also an equitable approach that could prevent some free-ridership by deficient LSEs.

Lastly, the CAISO is considering a capacity incentive option method. This option would charge all deficient LSEs for each MW of deficient capacity at the CPM soft offer cap or similar rate. The funds collected would be re-distributed to entities that exceed their UCAP requirements, creating an incentive to procure as much RA capacity as possible. This option encourages overprocurement of RA capacity which may lead to the procurement of inefficient, uneconomic resources depending on the expected payout of the option for holding surplus capacity. The CAISO should not select this option which could hamper the retirement of uneconomic resources and also cause speculative spending through capacity procurement.

4. Review of RA import capability provisions

Please provide your organization's feedback on the following sub-section topics, described in section 4.4.

Please indicate any analysis and data review that your organization believes would be helpful to review on the this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

a. Maximum Import Capability Calculation review, described in section 4.4.1. Please explain your rationale and include examples if applicable.

The Public Advocates Office has no comment at this time.

[4] Straw Proposal, pp. 28-29.
[5] Straw Proposal, p. 28.

b. Available Import Capability Allocation Rrocess review, described in section 4.4.2. Please explain your rationale and include examples if applicable.

The Public Advocates Office has no comment at this time.

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements straw proposal – part two.