



Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements working group on June 10, 2020. The stakeholder call 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 **June 24, 2020**.

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

1. Production Simulation: Determining UCAP Needs and Portfolio Assessment

Please provide your organization's feedback on the Production simulation: Determining UCAP needs and portfolio assessment topic as described in slides 4-15. Please explain your rationale and include examples if applicable.

As submitted in its comments previously, SCE continues to believe that the core elements of the proposal, such as the proposal on the system RA sufficiency test (e.g., the portfolio deficiency test), should be fully aligned and consistent with potential solutions to the structural changes to the RA program, to be developed in Track 3 of the CPUC RA proceeding. The changes proposed in this initiative would need to be evaluated along with Track 3 proposals. This is important as it will ensure the CAISO stakeholder initiative and the CPUC RA proceeding are properly coordinated. Given that Track 3 of the RA proceeding is to evaluate structural changes to the RA program, the RA obligation of LSEs may very well change after potential Track 3 solutions are implemented. Depends on how "new" RA requirements for each LSE will define and look like, whether the proposed system RA sufficiency test will still fit into meeting the need of validating an LSE's RA fleet in meeting its "new" RA requirements would need to be evaluated. To the extent that the proposed system RA sufficiency test fails to meet this need, or to the extent that the proposed system RA sufficiency

test results in a significant amount of CAISO backstop procurement, it can significantly impact the efficiency of the RA program and results additional ratepayer costs.

Regarding the CAISO's plan to test actual RA showings and provide sensitivity analysis around the RA showings to help inform UCAP requirements¹, SCE recommends that the CAISO provide detailed information on the assumptions of the study along with the study results when the results are shared with the stakeholders.

2. Transitioning to UCAP Paradigm

Please provide your organization's feedback on the transitioning to UCAP paradigm topic as described in slides 16-19. Please explain your rationale and include examples if applicable.

SCE appreciates the CAISO's inclusion of the approach that SCE has suggested, i.e., Option #1, in its list of potential options for transitioning to the UCAP paradigm. SCE strongly supports Option #1. SCE believes Option #1 addresses the concerns about existing contracts²:

- Under Option #1, NQC will continue to be the RA compliance instrument as it is today that RA payments are structured upon under existing long-term contracts; this will avoid potential cost shifts among parties.
- In addition, should the new PRM deviate from the current level adjusted for forced outage rate, there will be an increased cost for LSEs, which can be exacerbated under the payment arrangements under existing contracts. This is because LSEs would need to pay 1) the cost due to the increased PRM, and 2) the (inflated) cost under existing contracts that are based on today's NQC, of which only the UCAP portion qualifies as the RA compliance instrument. Option #1 addresses this second issue of the inflated cost.

SCE believes Option #1 addresses the contract issues as described above that would otherwise occur under Option #2³. For these reasons, SCE strongly recommends that the CAISO adopt Option #1 as the CAISO is transitioning to the UCAP paradigm. Should the CAISO decide to proceed with Option #2, at a minimum, the CAISO should make clear that UCAP is the successor mechanism to RAAIM and replaces NQC.

¹ The CAISO Presentation, at 15.

² SCE Comments on RA Enhancements Fourth Revised Straw Proposal, April 16, 2020, at 1-2, <http://www.aiso.com/InitiativeDocuments/SCEComments-ResourceAdequacyEnhancements-FourthRevisedStrawProposal.pdf>.

³ It was discussed during June 10, 2020 Working Group call that the amount of potential tariff revisions may vary under the two options. However, it's unclear that Option #1 would necessarily lead to more tariff revisions than those under Option #2, because new term would need to be created under both options ("DQC" under Option #1 and "UCAP" under Option #2). Even if there would be more tariff revisions under Option #1, in deciding which option should be adopted, one should consider potential operational and commercial impacts as primary factors.

3. Unforced Capacity Evaluations

Please provide your organization's feedback on the unforced capacity evaluations topic as described in slides 20-59. Please explain your rationale and include examples if applicable.

During the June 10, 2020 Working Group call, there was a discussion about whether transmission-induced outages will affect the resource's UCAP value. It was also discussed whether transmission-induced outages, due to wildfire situations, will affect the resource's UCAP value.

SCE believes that, these outages are outside of control of the resource and a derate on the resource's UCAP value would not necessarily incentivize, for example, better maintenance of the resource to avoid future forced outages. Further FERC Rule of Conduct restricts transmission-related information from being shared with market function employees/resource owners; a penalty due to factors outside of the resource's control or knowledge does not seem appropriate.

- a. Please provide your organization's feedback on the UCAP methodology: Seasonal availability factors topic as described in slides 27-46. Please explain your rationale and include examples if applicable.

Regarding the proposed formula below⁴, the CAISO should clarify, whether wind and solar production that's excluded from Daily Shown RA is from RA resources only, and whether import RA are included in Daily Shown RA in deriving the supply cushion hours:

$$\text{Supply Cushion} = \text{Daily Shown RA (excluding wind and solar)} - \text{Daily Planned Outage Impacts} - \text{Daily Forced Outage Impacts} - \text{Net Load} - \text{Contingency Reserves}$$

Regarding the proposed 20% cutoff in identifying the tightest supply cushion for the purpose of forced outage assessment, as pointed out by the CAISO, 20% appears to coincide with the duration of 5 RAAIM hours in a day ($5/24 = 21\%$). In addition, compared to only using the 100 tightest hours in a season, as proposed in the previous CAISO proposals, the 20% tightest supply cushion hours represent a significantly larger sample size (i.e., 1750 hours vs. 200 hours in a year). Therefore, the proposed 20% tightest supply cushion hours appear to offer more benefits than the approach of relying on only 100 tightest hours per season. Nevertheless, SCE recommends that the CAISO confirm that the 20% tightest supply cushion hours sufficiently covers the natural "breaking point" on the curve of historical system supply cushion and provide additional information on any observed pattern in the distribution of historical outages along those hours on the curve⁵.

⁴ The CAISO Presentation, at 32.

⁵ The CAISO Presentation, at 34, already provides a data table; the CAISO should consider plotting more complete data, including those data points shown in the table, to demonstrate that the 20% tightest supply cushion hours would sufficiently cover the natural "breaking point" on those curves for summer and non-summer seasons.

- b. Please provide your organization's feedback on the UCAP methodologies for non-conventional generators topic as described in slides 47-59. Please explain your rationale and include examples if applicable.

Regarding the proposed UCAP method for storage resources, the CAISO should clarify whether this proposal would apply to hybrid and co-located resources that have an energy storage component.

The CAISO should also clarify whether there will be instances that the CAISO, not the resource owner, would enforce the End of Hour State of Charge constraint, and if so, how those instances are treated under the proposal. As related to the comment above, since a limitation that's imposed by the CAISO would be outside of control of the resource, derating the resource's capacity may not provide meaningful incentives for the resource.

Regarding the proposed UCAP method for DR, the CAISO should provide detailed individual program examples to show how the ELCC calculations would work under the current RA program. While SCE generally supports the CAISO's efforts to evaluate the reliability value for DR at the individual program level, SCE has not had the opportunity to fully vet the CAISO's proposed DR ELCC framework. For example, at the 5/27/2020 ESDER meeting, stakeholders were only presented with an illustrative example of the 4-step ELCC calculation. SCE maintains that it is premature to recommend ELCC as the preferred QC methodology for DR to the CPUC absent a thorough review by stakeholders.

Regarding the need for applying a performance-based methodology at an SC-level to "mitigate the potential for gaming or manipulating by simply creating new DR resource IDs"⁶, SCE shares the concern with the CAISO⁷. SCE supports this aspect of the proposal; however, SCE recommends that the CAISO should consider applying such methodology at the program level, especially for IOUs and other large DR participants.

Lastly, SCE continues to be concerned that the criteria the CAISO applies for UCAP determination, whether it be ELCC or an alternative approach, could end up being different than the CPUC's RA allocation of DR credits. SCE recommends coordination between the two agencies to avoid RA discrepancies.

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Enhancements working group discussion.

⁶ The CAISO Presentation, at 57.

⁷ SCE Comments on PDR Resource Adequacy Clarifications Initiative, at 2, <http://www.caiso.com/InitiativeDocuments/SCEComments-ProxyDemandResource-ResourceAdequacyClarifications.pdf>.