



## Stakeholder Comments Template

### Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy 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>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).

Submitted by	Organization	Date Submitted
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Submissions are requested by close of business on February 6, 2019.

**Please provide your organization's comments on the following issues and questions.**

#### 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.

SDG&E understands that the CAISO has two underlying issues with regards to Import RA resources. First, the CAISO has no visibility into the source of the energy that is backing the RA import capacity. Second, the CAISO believes that some scheduling coordinators are relying on spot market purchases which may not appear at time of need and thereby not delivering to the CAISO when awarded in the day-ahead market.

To resolve the first issue, the CAISO is proposing to allow only resource-specific imports to be utilized for meeting RA requirements. The CAISO notes that such a requirement would ensure that the resource is not double counted in both the source Balance Area as well as the CAISO for EIM resource sufficiency tests.

SDG&E currently has insufficient information to provide support of the CAISO's straw proposal and requests the following questions

- a. SDG&E is uncertain how information submitted in either the year-ahead and/or month-ahead time frame will help to inform the CAISO to determine

the EIM sufficiency test. Is the CAISO proposing to run additional EIM sufficiency tests during the year-ahead and month-ahead timeframes?

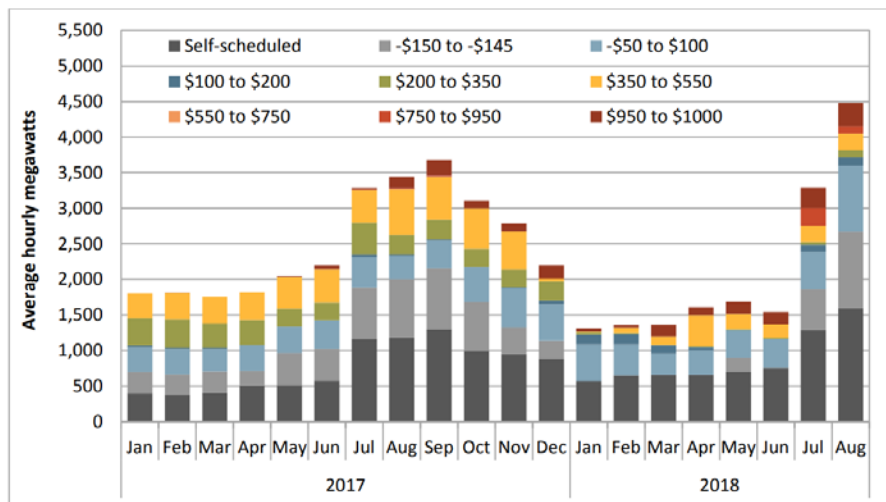
- b. What inputs are provided to the CAISO with regards to the EIM sufficiency test? How does the CAISO validate that a resource is not double counted? Does the CAISO inform the BA that it cannot count the capacity that was shown as RA?
- c. If the CAISO has the necessary information, what actions would the CAISO perform in case of non-delivery?
- d. Is the EIM sufficiency test run prior to the deadline for the tagging of imports? What information in the import tag would help the CAISO in determine the source BA or specify the resource?
- e. Currently, there are no energy products available on the exchanges such as ICE that specify the resource or source BA of energy imports. How will the CAISO help to develop such a product?

For the second issue, the concern that certain scheduling coordinators are bidding high prices and not clearing the day ahead market, the CAISO proposes to effectively limit the amount of spot market purchases by requiring for market participants to identify the resource that is providing the energy at the year-ahead and month-ahead processes.

SDG&E requests the CAISO to provide additional information in its next proposal based on comments below.

- a. The DMM states that “As shown in Figure 1, during peak hours in July and August of 2018, an average of about 484 MWh of imports used to meet resource adequacy requirements was bid in the day-ahead market at prices greater than \$750/MWh, compared to an average of around 145 MWh in the summer of 2017. None of the resource adequacy imports bid over \$750/MWh ever cleared in the day-ahead market.”

Figure 1 Average hourly resource adequacy imports by price bin (peak hours)

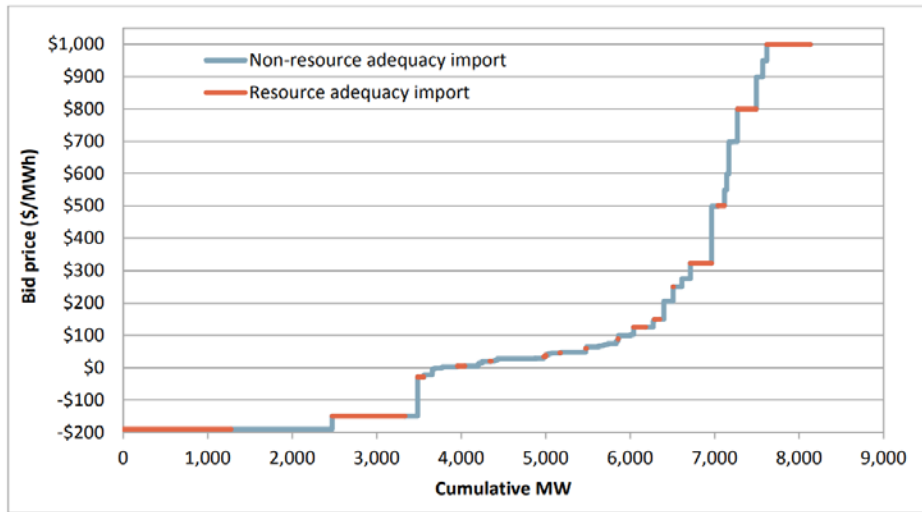


It is unclear how relative Figure 1 is to the rest of system capacity internal to the CAISO and how many internal MWs were not cleared and at what prices were bid or self-scheduled into the day-ahead market. It would be helpful to provide the average LMP for the same time frame overlaid on top of the figure.

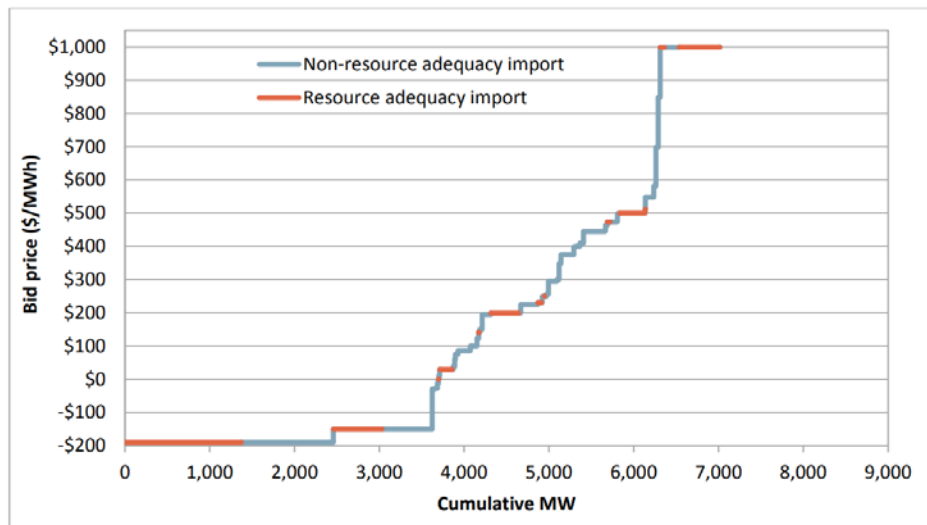
Based on DMM’s comments, a discussion seems necessary to determine what level of prices would be recommended to ensure competitiveness and clearing of bids.

- b. Similarly, DMM’s 2018 report on imports provides two graphs of the import bids for the same hour on two different days when “the day-ahead market experienced very tight supply conditions and reached high system marginal energy prices.”

**Figure 2 Import bids by resource adequacy designation (September 1, 2017)**



**Figure 3 Import bids by resource adequacy designation (July 24, 2018)**



It is unclear to SDG&E whether the CAISO and/or DMM are inferring withholding of capacity by RA resources. It is unclear to SDG&E if this is part of the normal behavior of imports. It would be helpful for the CAISO to provide additional information in the next proposal that would indicate behavior of bidding over time for the same capacity bid and whether such prices are in line with market gas prices.

If capacity is consistently bid in such a manner to avoid being awarded, then SDG&E recommends including the topic of price caps for import RA as well as strong penalties for non-delivery into the scope of this initiative. If the bidding behavior is aligned with the energy markets, gas prices, and heat rates, then such high prices may be acceptable.

#### Bidding Rules and Must Offer Obligations for RA Imports

SDG&E does not provide a position on changes to the MOO and bidding options at this time but recommends the CAISO to revisit these rules once the Day-Ahead Market Enhancements 15-minute Granularity initiative is implemented.

## **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.

SDG&E appreciates and supports the CAISO considering the option to create an outage substitution market for planned outage substitution. This would decrease the complexity of finding substitute capacity dramatically especially when outages are submitted right before the forced outage deadline. SDG&E provides the following questions and considerations for the outage substitution market.

- i. The CAISO mentioned that it would allow the "resource SC to determine if the outage is cost effective at that time or if they should defer to a later date." Will the CAISO provide capacity pricing data to the resource SC at the time of the outage submission so that the SC can make the economic decision?
- ii. Will the CAISO follow the current substitution rules to only request substitution up to the forecasted peak load plus planning reserve margin of the month which could mean that certain outages may only require partial substitution?
- iii. Will the CAISO procure substitute capacity below a resource's pmin level? If the pmin must be procured and is above the substitution need, who will be charged for the surplus procurement?
- iv. Would resource SCs still have the option to provide its own substitute capacity if they wish to not have the CAISO procure substitute capacity?
- v. Could the CAISO utilize the same market for Forced Outages?

SDG&E envisions that the substitution market would replace all aspects of RAIM for all outages and not just Planned outages. The default option would allow the

CAISO to procure substitute capacity rather than canceling the outage. The CAISO could require all available capacity to participate in the substitution market in order to ensure there is sufficient capacity to provide substitution. Scheduling coordinators can also offer to sell maximum import capability and allow other scheduling coordinators to provide import substitution capacity that do not have import capability. The substitution award would not be voluntary unlike capacity procurement mechanism. The CAISO may consider certain nature of works for outages are no longer needed in order to reduce complexity of this framework. SDG&E believes if the CAISO were to implement this framework, it can eliminate all components of RAAIM as well as any reduction of future net qualifying capacity due to performance in the current year.

- b. Please provide your organization's feedback on the RAAIM Enhancements topic. Please explain your rationale and include examples if applicable.

SDG&E does not support making RAAIM more complex and applied only in certain situations. The triggers proposed include instances in which market participants cannot anticipate and are not made aware until days have past. A calculation based on performance does not treat the RA program as a planning process but more as physical delivery of energy which is the role of the energy markets. In the example where two resources are both perfectly available to the CAISO but one ignores all dispatch instructions, that resource would pay for imbalance energy charges along with other penalties. SDG&E also believes that DMM would also investigate why that resource failed to respond to CAISO dispatch. SDG&E recommends the CAISO to consider SDG&E's comments on the outage substitution market framework to replace RAAIM and future NQC reductions.

- i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

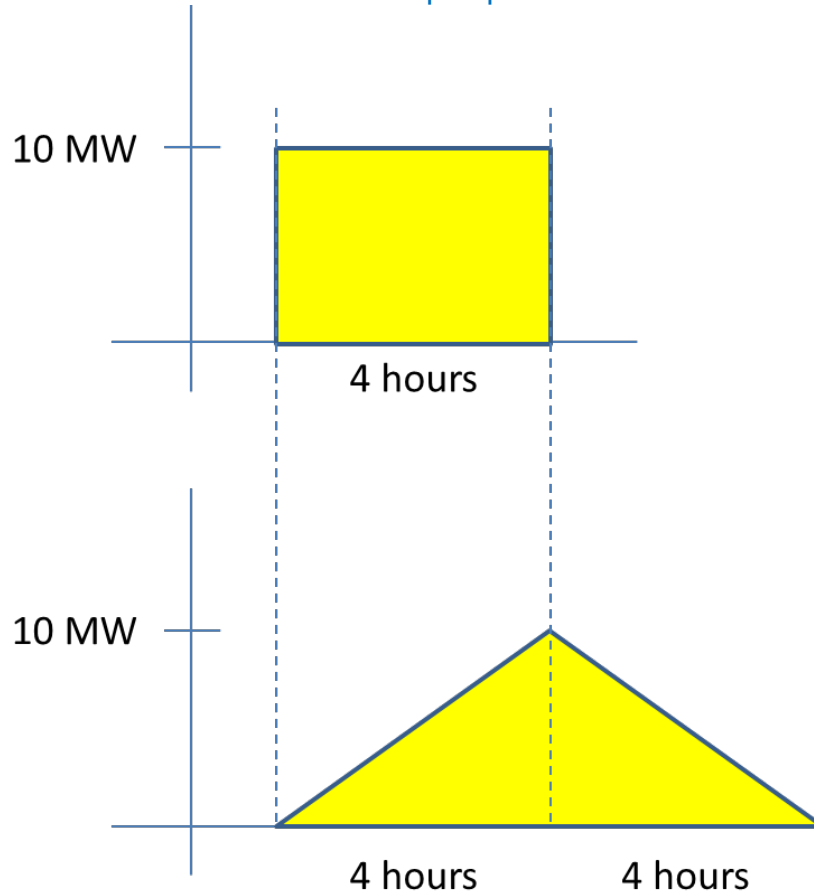
Please see SDG&E's comments above.

### 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.

The CAISO is altering the RA program from a peak capacity planning process into one that is energy based without providing analysis or opportunity to discuss whether the Local RA program should be altered. The CAISO acknowledges that this is a new requirement as it does not consider hourly load and resource analysis in its Local Capacity Technical Studies but that it will validate the annual RA showings based only on the local RA resources shown. The CAISO should provide additional information detailing the year-ahead RA plan validation process such as whether it will dispatch the resources to meet the load based on the area load shape which would allow such resources to provide more than 4 hours of duration or count the energy as 4-hour

blocks. As an example, both of the generation profiles below provide 40MW-hours of energy. However, the lower figure provides the total energy over 8 hours even though its output also maxes out at 10 MWs. While this is an extreme comparison, the concept holds for the load curve as it ramps up and down.



During the call on January 23<sup>rd</sup>, the CAISO noted that it does not expect to provide information of specific resources and their respective energy capabilities to market participants in order to procure the correct set of resources. SDG&E is concerned that without sufficient and accurate information, market participants would not be able to pass the validation process in the annual showing and the CAISO would procure backstop capacity.

**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.

SDG&E is still reviewing the CAISO’s straw proposal for Local qualifications of slow demand response resources.

**Additional comments**

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