



Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fifth revised straw proposal that was published on July 7, 2020. The proposal, stakeholder 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 **August 7, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the RA Enhancements fifth revised straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

Six Cities' Note re Overall Position: Although the Six Cities have selected the "Support w/ caveats" designation for the general characterization of their overall position, the attempt to identify an umbrella expression of position has limited value in the context of the Resource Adequacy Enhancements initiative. The initiative is extremely broad in scope and encompasses a myriad of sub-issues. As the comments below demonstrate, the Six Cities' "caveats" to the CAISO's current proposals are both numerous and substantively important. It would be more accurate to characterize the Six Cities' overall position as "Support some elements of the Fifth Revised Straw Proposal; Oppose other elements."

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

1. System Resource Adequacy

Please provide your organization's feedback on the System Resource Adequacy topic as described in section 4.1. Please explain your rationale and include examples if applicable.

Six Cities' Comments: On a preliminary, overall basis, the Six Cities do not oppose development of a UCAP-based RA framework. However, the Six Cities are looking forward to review of the CAISO's production simulation of the UCAP proposal based on June RA showings as described at page 8 of the Fifth Revised Straw Proposal and may modify their positions based on the outcome of that analysis. Further, as described in the subsections below, the Six Cities oppose certain elements of the CAISO's proposal for implementation of a UCAP-based construct.

- a. Please provide your organization's feedback on the Determining System RA Requirements topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.

Six Cities' Comments: At this time and subject to review of the production simulation analysis based on June RA showings described above, the Six Cities do not oppose initial establishment of the UCAP requirement at 110 percent of forecasted peak load as recommended at page 13 of the Fifth Revised Straw Proposal. The initial UCAP requirement should be subject to review no later than one year after implementation for evaluation of reasonableness, cost effectiveness, and consistency with RA objectives.

- b. Please provide your organization's feedback on the Unforced Capacity Evaluations topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Six Cities' Comments: As described in their June 24, 2020 comments in this initiative, the Six Cities have a number of concerns regarding the CAISO's proposed methods for Unforced Capacity Evaluations.

First, the CAISO has not justified reduction of UCAP values to reflect "Urgent Outages" as defined in Reliability Coordination Procedure RC0630. As described in Procedure No. RC0630 at page 15, for an Urgent Outage:

Facility/equipment remains in service until personnel, equipment and/or system conditions allow the outage to occur.

Urgent outages allow Facilities to be removed from service at an optimal time for overall system reliability. (Italics in original.)

Because an Urgent Outage by definition is coordinated to maintain overall system reliability, it does not seem reasonable to reduce UCAP for such outages. Moreover, reducing UCAP for outages that are coordinated with the CAISO and timed to support system reliability would create perverse incentives by discouraging such cooperative timing.

The Six Cities also are concerned about the CAISO's proposal to eliminate nature of work categories that are exempt from outage penalties under the current framework and to adopt instead generally described "exceptions" for outages that will not be counted as reducing UCAP, as discussed at pages 16-18 of the Fifth Revised Straw Proposal. The CAISO's proposed definition for an "Exempt Outage" as set forth at page 17 of the Fifth Revised Straw Proposal is unduly narrow. The criteria for exceptions from UCAP reduction (which should be specified in advance in the tariff) also should include any reductions in resource availability that (1) are directed by the CAISO, (2) are consistent with an operational procedure agreed upon by the CAISO and the resource owner or operator for reliability reasons, or (3) result from a non-recurring transmission outage. Recognizing that resource outages due to recurring transmission outages would indicate that the CAISO cannot realistically count on the resource being consistently available, it would be reasonable to disallow an exemption for outages caused by multiple transmission outages within a three year period.

- i. Please provide your organization's feedback on whether the ISO should establish a dead band around a resource's UCAP value given the associated benefits and burdens, as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Six Cities' Comments: In light of the increased complexity and potential adverse cost impacts to LSEs, the Six Cities do not support establishing a dead band allowance for resources' UCAP values.

- ii. Please provide your organization's feedback on Option 1 and Option 2 for calculating UCAP for new resources without three full years of operating history, as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities prefer the Option1 (class average) approach for calculating UCAP value for new resources without three full years of operating history. The Option 1 approach appears to provide more stability and predictability and creates less risk of overstating UCAP value for a new resource than the NQC-based Option 2 approach.

- iii. Please provide your organization's feedback on the ISO's approach to use the historical availability during the RAIM hours for years prior to 2019 and the historical availability during the 20% tightest supply cushion hours in years 2019 and beyond for hydro resources, as described in section 4.1.2. Please explain whether this approach is necessary or preferred to the standard UCAP calculation to reflect hydro availability.

Six Cities' Response: The Six Cities take no position on this topic at this time.

- iv. Please provide your organization's feedback on the modifications for UCAP counting rules for storage resources as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities generally support the concepts that the CAISO has outlined for the UCAP counting rules applicable to storage resources, including that UCAP values should consider storage resources' use of optional state of charge constraints as well as forced outage rates. (See Fifth Revised Straw Proposal at 30.) The Six Cities also concur with the CAISO that these reasons for unavailability should not be "double counted." (*Id.*)

- c. Please provide your organization's feedback on the System RA Showing and Sufficiency Testing topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

Six Cities' Comments: As described in the Six Cities' previous comments in this initiative dated April 14, 2020 and June 24, 2020, the Six Cities support the concept of evaluating portfolio sufficiency, *i.e.*, the ability of the RA portfolio to meet load requirements during all hours, not just during system peak periods. In addition, the Six Cities support the use of the production simulation model used for the CAISO's annual Summer Assessment studies for purposes of portfolio sufficiency testing. However, the Six Cities remain concerned that basing the portfolio sufficiency test solely on production modeling limited exclusively to shown RA resources may be overly conservative and lead to unnecessary and/or unduly costly incremental procurement.

Because non-RA resources do not take on any forward obligation to make themselves available to the CAISO Balancing Authority Area ("CAISO BAA") during any specific periods, it makes sense to conduct a portfolio sufficiency test based solely on the production capability of shown RA resources as one metric of the portfolio sufficiency analysis. But non-RA resources within the CAISO BAA do have obligations under the Participating Generator Agreement to comply with all applicable provisions of the CAISO Tariff (Participating Generator Agreement Section 4.2), including, *inter alia*, (1) responding to Exceptional Dispatch instructions when they are able to do so (Tariff Section 34.11.1), (2) informing the CAISO of changes in operational status (Tariff Section 4.6.1.1), and (3) complying with outage management requirements under Tariff Section 9, including obtaining CAISO approval for planned outages. (Tariff Section 9.3.2.) All Participating Generators also are subject to CAISO control "to prevent an imminent or threatened System Emergency." (Tariff Section 7.7.2(c)(1).) In light of the foregoing obligations of all Participating Generators, it seems unreasonable to completely ignore the capabilities of non-RA resources in evaluating portfolio sufficiency. Such resources are not merely economic energy substitutes, as the Summer Assessment studies implicitly have recognized. The Six Cities, therefore, recommend that if it is technically feasible to do so, the CAISO conduct the portfolio sufficiency tests based on both shown RA resources (both internal and

external to the CAISO BAA) and on shown RA resources plus all non-RA resources within the CAISO BAA.

The Fifth Revised Straw Proposal indicates at page 42 that the CAISO is still working to develop criteria for when additional capacity may be needed and for how much capacity is needed. The broader resource portfolio test recommended above (*i.e.*, all shown RA resources plus all non-RA resources within the CAISO BAA) would provide useful supplemental information on the severity of reliability risks arising from any deficiency identified by the narrower sufficiency test (based only on shown RA resources) and could be factored into the criteria for triggering and scaling backstop procurement. In addition, the broader resource portfolio test could provide guidance on the most efficient approach for any supplemental RA procurement considered necessary. If it is not technically feasible to conduct the portfolio sufficiency tests based on both sets of resource inputs for every month, the CAISO could perform the broader-based test only in months for which the narrower test indicates a deficiency.

- d. Please provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications topic as described in section 4.1.4. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities continue to oppose the Must Offer Obligation and Bid Insertion proposals included in the Fifth Revised Straw Proposal as unduly restrictive and likely to substantially limit the pool of resources eligible and willing to provide RA capacity. Specifically, the Six Cities oppose (i) application of a 24/7 MOO subject only to the limited exemptions identified in Table 12 of the Fifth Revised Straw Proposal, and (ii) the CAISO's proposed bid insertion principles. The proposed standard 24/7 MOO (even with the exemptions in Table 12) would unnecessarily and unreasonably disqualify capacity resources that are reliable and available during hours when the CAISO reasonably could be expected to need them. For example, all of the Cities have entitlements to output from the Hoover Power Plant, which is a highly reliable resource but, due to operating limitations, could not comply with a 24/7 MOO. Hoover currently is eligible to provide RA capacity and is subject to a MOO generally corresponding to the evening ramp hours consistent with the concept of basing MOO on resource operational characteristics. The CAISO should continue to apply tailored MOO requirements to respect resource-specific operating characteristics registered in the Master File.

At this time the Six Cities take no position with respect to the CAISO's proposal to limit the MOO for RA resources to the Day-Ahead Market, as discussed at page 44 of the Fifth Revised Straw Proposal. The Six Cities have identified the following potential concerns and questions regarding the proposed approach to the Real-Time MOO and request that the CAISO provide additional information or clarification with regard to that aspect of the CAISO's proposal:

- Could eliminating the Real-Time MOO for resources that do not receive schedules in the Day-Ahead Market encourage resources that wish to minimize the likelihood of dispatch in the Real-Time Markets to submit

extremely high bids in the Day-Ahead Market, as has been experienced with some import resources, potentially inflating prices in the Day-Ahead Market?

- Could the difference between MOO requirements in the Day-Ahead Market versus the Real-Time Market interact with virtual bidding patterns to increase opportunities to extract profits through virtual bidding?
- With respect to the CAISO's statement that "**RA resources must still be available for exceptional dispatch after the day-ahead market whether or not they receive a day-ahead award**" (emphasis in original), the scope of this obligation remains unclear. Would a natural gas fueled resource be required to have fuel available to respond to an exceptional dispatch during any and all hours of the operating day? Would an RA import resource that does not receive a Day-Ahead award be required to retain firm transmission rights for the following day, giving rise to potentially non-recoverable costs and/or potentially precluding use of the transmission to deliver economic energy?
- Would there be a difference between the obligation of an RA resource that did not receive a Day-Ahead schedule and a non-RA resource that did not receive a Day-Ahead schedule to be available for exceptional dispatch after the Day-Ahead Market?

The Six Cities would very much appreciate the CAISO's responses to the foregoing questions to facilitate evaluation of the potential costs and benefits of the CAISO's proposed approach regarding the Real-Time MOO.

- i. Please provide your organization's feedback on generally defining variations to the must offer obligations and bid insertion into the day-ahead market based on resources type, as described in Table 12 in section 4.1.4. Please explain your rationale and include examples if applicable.

Six Cities' Comments: As discussed above, the proposed list of exceptions to the standard Must Offer Obligation described in Table 12 of the Fifth Revised Straw Proposal and based solely on resource type is too restrictive. In addition to the need for the opportunity to arrange for resource-specific MOO requirements that respect operating characteristics registered in the Master File, exceptions to the standard MOO also must be available to respect operating procedures approved by the CAISO. For example, two of the Six Cities have internal resources that are subject to operating procedures agreed upon with the CAISO. Due to limitations on import capability into the cities, the operating procedures provide that the subject resources will be dedicated to support reliability of service within the affected city when the city's load approaches the import limits.

- e. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.5. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities urge the CAISO to take additional time to provide more focused attention to improving the outage management process. The existing outage management process has serious flaws that create uncertainty, unnecessary costs, and risks to reliability. The Six Cities strongly oppose retaining the existing outage management process for the indefinite future.

At this time, however, and based on the information currently available, the Six Cities are unable to support the CAISO's proposals, discussed at pages 49-57 of the Fifth Revised Straw Proposal to establish a planned outage reserve margin for off-peak months and to allow only short-term and off-peak opportunity outages between June 1 and October 31. Recognizing that it is not possible to predict with any certainty when system peak or near-peak conditions will occur during the May through September period, imposing such a sweeping restriction on planned outages for five months of the year appears potentially problematic. In addition, requiring increased procurement of RA capacity to satisfy pre-established planned outage reserve margins seems likely to result in unnecessary procurement in some months (in terms of accommodating planned outage requests) and inadequate procurement in others. Most importantly, the CAISO to date has not provided any information on the magnitude of the additional reserves it would propose to support planned outages, such that there is no ability to estimate the potential cost for the reserves. Overall, the Six Cities are concerned that the planned outage reserve approach is likely to be unduly rigid and may be excessively costly as a result of increased UCAP requirements.

The Six Cities request that the CAISO carve out the planned outage process enhancements topics and commence a separate initiative focused on outage management issues. The separate outage management initiative should proceed on a parallel timeline with the remainder of the RA Enhancements initiative but need not hold up progress on the topics remaining in the broader initiative. To frame the separate outage management initiative, the Six Cities urge the CAISO to establish one or more workshops to include stakeholder input to identify problems experienced under the existing outage management framework and to reach consensus on objectives for improvements to the outage management process. A separate, targeted initiative devoted to outage management process issues should allow a fresh look at potential approaches for supporting planned outages while maintaining reliability.

- f. Please provide your organization's feedback on the RA Import Requirements topic as described in section 4.1.6. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities continue to support conceptual elements of the CAISO's Fifth Revised Straw Proposal that seek to ensure that

RA imports are backed by physical capacity that is committed and deliverable to the CAISO.

However, the Six Cities previously supported the CAISO's proposal to permit continued reliance on Non-Resource Specific System Resources, coupled with specific requirements to demonstrate that such resources represent physical supply that is not being double-counted, is not speculative, is solely committed to the CAISO, and is not being relied upon by other Balancing Authority Areas for load-serving purposes. (*Id.*) That element of the CAISO's prior proposal has now been removed, but the Six Cities understand that the CAISO's proposal to create a new category of eligible resource types for Resource-Specific system resources that are non-dynamic (see Fifth Revised Straw Proposal at 62) will continue to enable the Cities to rely on their existing import RA resources that are indeed resource-specific, solely dedicated to the CAISO BAA, and highly reliable. Subject to confirmation of this understanding, the Six Cities support the CAISO's proposal.

- i. Please provide your organization's feedback on the issue of whether firm transmission service on the last line of interest to the CAISO BAA will ensure reliability and is feasible, or whether the CAISO should require point-to-point, source to sink firm transmission service as originally proposed, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities have not opposed the CAISO's proposal to require RA imports to be supported with firm transmission to the CAISO BAA boundary, and the Six Cities take no position at this time on the CAISO's alternate proposal to require firm transmission only on the last line of interest to the CAISO BAA. The CAISO's revision to its proposal so that firm transmission for RA imports is no longer required to be procured on a month-ahead basis is a constructive change. (See Fifth Revised Straw Proposal at 69.)

In terms of establishing a penalty structure for RA imports that do not meet the CAISO's firm transmission requirements, the Six Cities take no position at this time on the CAISO's proposals to either reduce the UCAP associated with the import resource or to impose a performance penalty for failure to obtain firm transmission. (Fifth Revised Straw Proposal at 69-70.) The Fifth Revised Straw Proposal does not include sufficient details about how such an approach would work for the Six Cities to provide comments at this time. It may be preferable for the CAISO to determine whether and to what extent load-serving entities are failing to meet the CAISO's deliverability requirements after they are implemented and to then devise a penalty or enforcement mechanism only if noncompliance with the deliverability requirements proves to be a persistent issue.

Finally, the Six Cities have expressed concerns with the firm-transmission related provisions of the CAISO's proposal on RA imports

with respect to whether the deliverability requirement creates conditions for the potential exercise of market power by holders of transmission rights outside of the CAISO. The Six Cities reiterate their request that the CAISO commit to actively monitoring the implementation of this requirement to ensure that such entities are not inappropriately exercising market power and to confirm that anticompetitive conduct in the provision of external transmission service will be fully investigated by the Department of Market Monitoring to the extent consistent with the CAISO's tariff authority and will, in all instances, be referred to FERC.

- ii. Please provide your organization's feedback on other BAA's systems bordering the CAISO and whether such a "last line of interest" proposal is feasible and would effectively support RA import capacity dependability and deliverability, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

Six Cities' Response: Please refer to the Six Cities' comments immediately above.

- iii. Please provide your organization's feedback on whether a non-compliance penalty or other enforcement actions are necessary if delivery is not made under firm transmission service, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

Six Cities' Response: Please refer to the Six Cities' comments above.

- iv. Please provide your organization's feedback on how to convey the last line of interest, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

Six Cities' Response: Please refer to the Six Cities' comments above.

- v. Please provide your organization's feedback on the options proposed in section 4.1.6 and any other potential mechanisms that would best ensure RA imports are dependable and deliverable if the CAISO were to adopt, as an alternative, a "last line of interest" firm transmission service requirement. Please explain your rationale and include examples if applicable.

Six Cities' Response: Please refer to the Six Cities' comments above.

- g. Please provide your organization's feedback on the Operationalizing Storage Resources topic as described in section 4.1.7. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities do not oppose the CAISO's proposals regarding operationalizing storage resources for purposes of providing System RA, including (in the specific context of storage resources) the CAISO's proposal for a Real-Time Must Offer Obligation that is based on the Day-Ahead

Schedule and to establish minimum state of charge requirements for such resources to maintain to ensure availability to the CAISO in Real-Time.

2. Flexible Resource Adequacy

Please provide your organization's feedback on the Flexible Resource Adequacy topic as described in section 4.2. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities agree that the Flexible RA requirements must be aligned with the treatment of flexible capacity requirements in the Day-Ahead Market Enhancements initiative and, therefore, have no additional comments on Flexible RA requirements at this time.

3. Local Resource Adequacy

Please provide your organization's feedback on the Local Resource Adequacy topic as described in section 4.3. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities generally support the CAISO's proposed application of UCAP in the context of Local RA requirements as described in Section 4.3 of the Fifth Revised Straw Proposal, subject to appropriate resolution of the concerns identified above in the discussion of System RA with respect to determination of UCAP values, Must Offer Obligations, and the outage management process.

- a. Please provide your organization's feedback on the UCAP in Local RA Studies topic as described in section 4.3.1. Please explain your rationale and include examples if applicable.

Six Cities' Response: Please refer to the Six Cities' comments above.

4. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.4. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.4.2. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities do not oppose the proposed modifications to the CPM in order to accommodate the UCAP structure, including, in particular, the CAISO's commitment to making CPM designations for system UCAP deficiencies only when there is an overall deficiency based on all load-serving entity showings, as opposed to when any individual load-serving entity is deficient, and the preservation of cure opportunities. (See Fifth

Revised Straw Proposal at 84.) As the Six Cities have previously observed, the proposed revisions appear to represent a realignment of the existing CPM program to be consistent with the new UCAP approach.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.4.3. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities concur that the CAISO's procurement authority under the CPM will be based on the UCAP of a resource, rather than its NQC.

- c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.4.4. Please explain your rationale and include examples if applicable.
 - i. Please provide your organization's feedback on an appropriate availability incentive design to apply to RMR resources after the removal of the RAIM tool, as described in section 4.4.4. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities agree that RMR resources should not receive incentive payments, because the appropriate availability obligations for the resource should already be set forth in the RMR Services Agreement, with such agreement containing and establishing compensation for the provided RMR services. The Six Cities oppose an incentive payment structure for RMR resources.

In terms of a penalty structure for non-performance under the RMR Services Agreement, the Six Cities propose that penalties be based on the higher of the CPM soft-offer cap price or the RMR compensation rate. Penalty amounts recovered from non-performing RMR resources should be allocated to the entities that are paying for RMR services.

- d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.4.5. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities support the concept of compensating LSEs that show RA capacity in excess of their own requirements and collecting deficiency charges from LSEs that do not meet their requirements. The Cities agree that it is appropriate to base the deficiency charge on the CPM Soft Offer Cap and that allocations of CPM procurement costs should not overlap or duplicate UCAP deficiency charges. The Six Cities, therefore, continue to support implementation of the UCAP Deficiency Tool subject to review of its operation and impact following an initial implementation period.

5. Please provide your organization's feedback on the implementation plan, including the proposed phases, the order these policies must roll out, and the feasibility of the

proposed implementation schedule, as described in section 5. Please explain your rationale and include examples if applicable.

Six Cities' Comments: Section 5 of the Fifth Revised Straw Proposal provides insufficient detail to enable substantive comments on the proposed implementation plan. For example, Section 5 refers to UCAP – Phase 1 and UCAP – Phase 2 and Portfolio Assessment – Phase 1 and Portfolio Assessment – Phase 2 with no identification of the elements to be implemented in each step. The Six Cities request further detail with respect to the CAISO's anticipated implementation plan in the next revised straw proposal. In addition, the Six Cities request that the CAISO state whether it plans to file proposed tariff provisions simultaneously with different effective dates for the two phases or to submit tariff revisions separately for each phase?

6. Please provide your organization's feedback on the proposed decisional classification for this initiative as described in section 6. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities support the CAISO's proposed decisional classification for this initiative as discussed in Section 6 of the Fifth Revised Straw Proposal.

Additional comments

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

Six Cities' Response: The Six Cities have no additional comments on the Fifth Revised Straw Proposal at this time.