



Stakeholder Comments Template

Resource Adequacy Enhancements

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 27, 2020**.

Submitted by	Organization	Date Submitted
Mark Miller 503-230-4003	Bonneville Power Administration	01/27/2020

Bonneville Power Administration (Bonneville) appreciates the opportunity to comment on the Resource Adequacy Enhancement Revised Straw Proposal.

Bonneville is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500MW. Bonneville currently supplies 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. Bonneville is obligated by statute to serve Northwest municipalities, public utility districts, cooperatives and other regional entities prior to selling power out of the region.

1. System Resource Adequacy

As an entity interested in marketing System Import RA to California LSEs, Bonneville supports the overall approach outlined in the Third Revised Straw Proposal.

Bonneville supports the proposed use of up front UCAPs rather than relying on substitution rules and the Resource Adequacy Availability Incentive Mechanism (RAAIM) to ensure adequate availability of RA resources. In the Straw proposal there is no mention of how the UCAP will be determined for Import RA although in the workshops on January 7th and 8th the CAISO suggested that perhaps the approach for setting UCAPs for DR and QF resources would potentially be applicable to non-resource specific (NRS) Import RA as well. Bonneville believes this approach to setting UCAPs for non-resource specific RA Imports has promise. BPA understands

the proposal to be that the CAISO will, based on the prior 3 years of performance, evaluate a resource's performance relative to the dispatch instructions for periods when they received market awards.

Bonneville continues to be concerned with potential self-schedule requirements imposed by the CPUC on NRS-RA Imports. To economically bid into the CAISO markets as stipulated in the CAISO tariff, a resource must be a Resource-Specific System Resource, while NRS-RA Imports are required to self-schedule and therefore be a price taker. In order to participate in an RA market with the aforementioned requirements, a system-based supplier, such as Bonneville, will naturally need to increase the capacity price in response to the increased market-risk associated with being a price taker. This will result in increased costs for California LSEs and could limit RA offers from importers, like Bonneville, who sell system-based energy. While Bonneville honors existing contracts with competitive bids into the CAISO DAM, the current CAISO definition of Resource Specific System Resource is not compatible with Bonneville's operational model.

The approach that uses CAISO's definition of Resource Specific System Resources to determine who must self-schedule casts a net that is unnecessarily large if the objective is to prevent double counting and speculative supply, while encouraging the availability of RA imports. Bonneville is unable to allow the CAISO to control its generation as required by the CAISO's Resource Specific Agreement. Bonneville believes the characteristics of its large integrated hydro system provides the necessary infrastructure to ensure supply that is not speculative and will not be double counted. With that said, BPA does not necessarily see a distinction between speculative supply and double counting. In both cases the problem is a lack of a dedicated physical resource backing the showing. In both cases the supplier could offer a very high price to avoid delivering energy. BPA would like to explore alternatives that do not have a Resource-Specific requirement, but rather aim to remove the economic incentives that drive suppliers to engage in an RA market without the physical resources to support such contracts.

Bonneville supports a market design where an import system resource is allowed to either economically bid or self-schedule into the Day-Ahead and Real-Time markets if it identifies its source Balancing Authority (BA), acquires firm transmission, and is backed by operating reserves. Preventing NRS-RA Imports, with a specified source BA and firm transmission, from submitting economic bids will result in inefficient market outcomes due to the CAISO having to accept energy imports even when that energy is of little, or perhaps negative, value to the grid. Bonneville supports working with the CAISO and CPUC to develop policies around NRS-RA Import requirements that ensure resources are available when needed in all hours of the year while not interfering with the CAISO's most efficient dispatch. Bonneville believes requiring a specific BA, firm transmission and operating reserves for all NRS-RA Imports provides the assurance needed to address speculative supply concerns without the need for requiring self-schedules. If issues arise after these requirements are adopted, other requirements could still be implemented, such as price capping rules similar to those used by the DMM, minimum after the fact schedule performance reporting, a

prescriptive definition of firm supply and allowable system of resources, or some combination.

Bonneville operates a system of resources (31 Federal dams with multiples of generators) in concert, to meet its total load obligation (including import RA obligations), and it carries a significant level of reserves. Any specific unit outage has no impact on Bonneville's ability to provide firm energy to fulfill its load obligations. Bonneville views its system, as well as other similar cascading hydro systems, as far superior to a single generating resource when considering reliability and availability.

2. Flexible Resource Adequacy

Bonneville supports the CAISO's proposed inclusion of NRS RA Imports in its Flexible Resource Adequacy structure. Bonneville has no additional input on Flexible Resource Adequacy.

Additional comments

Bonneville continues to support ongoing coordination with the CPUC and across the RA Enhancements, DAME and EDAM initiatives.