



Stakeholder Comments Template

Resource Adequacy Enhancement Initiative: Second Revised Straw Proposal

This template has been created for submission of stakeholder comments on the **Resource Adequacy Enhancements Initiative, Second Revised Straw Proposal** that was held on October 9, 2019. The meeting material 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. Submissions are requested by close of business on October 24, 2019.

Submitted by	Organization	Date Submitted
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Please provide your organization’s comments on the following topics. When applicable, please indicate your organization’s position on the topics below (Support, Support with caveats, Oppose, or Oppose with caveats). Please provide examples and support for your positions in your responses.

System Resource Adequacy

1. Determining System RA Requirements

Please provide your organization’s feedback on the System RA Requirements proposal as described in the second revised straw proposal.

CESA supports with caveats the ISO’s proposals for determining System RA requirements. Specifically, CESA agrees with the ISO that a bottom-up approach to setting UCAP needs is preferred in the long term; nevertheless, CESA not only shares the CAISO’s concerns about the implementation difficulties associated with such a strategy but is also concerned about the disruptive impact that a bottom-up approach could have on the current bilateral market. Instead, in the interim, CESA recommends a portfolio-based top-down UCAP be calculated for each LSE to provide them with the appropriate procurement signals for more effective RA resources. In doing so, currently contracted resources would also not be disrupted with a UCAP-equivalent

capacity value. While CESA supports the bottom-up approach in theory given that it entails more resource-specific considerations but believes that this requires further discussion and stakeholder review.

2. Forced Outage Rates Data and RA Capacity Counting

Please provide your organization's feedback on the Forced Outage Rates and RA Capacity Counting and Forced Outage Rate Data topics as described in the second revised straw proposal.

CESA supports with caveats the proposals made by the ISO regarding this topic. CESA agrees with the inclusion of forced outage rates in the ISO's capacity-counting methodology as it is essential to maintain grid reliability. Nevertheless, CESA considers the methodology proposed by the ISO could disproportionately impact the UCAP values of resources that have been recently added to the grid, have low deployment rates, and/or are below 20 MW. CESA proposes that the ISO initially establish UCAP metrics using NERC's GADS data for each resource class. Even though data is not available for resources under 20 MW in the GADS dataset, the UCAP estimates can be extrapolated to smaller resources in the same resource class at this time. Since this top-down measure is intended to be temporary until bottom-up, unit-specific methodologies are developed and implemented, such an extrapolation is reasonable at this time. For resource classes with few peers, the ISO should opt for a median approach, rather than an average one.

3. Proposed Forced Outage Rate Assessment Interval

Please provide your organization's feedback on the Proposed Forced Outage Rate Assessment Interval topic as described in the second revised straw proposal.

CESA supports the ISO's proposal to apply a 16-hour window between 5:00 and 21:00 as the assessment window for resource specific outage rates since it is consistent with the grid's general capacity needs, including for flexible and peak requirements.

4. System RA Showings and Sufficiency Testing

Please provide your organization's feedback on the System RA Showings and Sufficiency Testing proposal as described in the second revised straw proposal.

CESA has no comments to offer on this topic at this time.

5. Must Offer Obligation and Bid Insertion Modifications

Please provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications proposal as described in the second revised straw proposal.

CESA has some concerns with the ISO's proposal to establish a 24-by-7 must-offer obligation (MOO) into the day-ahead (DA) market, particularly for resources

involved in multiple-use applications (MUAs). For example, the ISO has determined that assets participating as non-generator resources (NGRs) that provide regulation energy management (REM) cannot provide RA to the system, which limits the value-stacking potential of certain resources. While CESA understands that this element is tightly linked to the ISO's Day-Ahead Market Enhancements (DAME) Initiative and the Flexible RA modifications considered in this proposal, CESA thinks the ISO could achieve similar integration and results by establishing MOOs during the 16-hour MOO window, which represents the hours of greater need. Furthermore, NGRs participating in REM could still provide RA but have its UCAP value reflect the fact that it was not able to participate during the full MOO window. As CESA understands it, the UCAP estimates are intended to measure the effectiveness of resources as RA capacity to participate in all hours of need rather than to preclude them from being eligible for RA altogether.

6. Planned Outage Process Enhancements

Please provide your organization's feedback on the Planned Outage Process Enhancements proposal as described in the second revised straw proposal.

CESA has no comments to offer on this topic at this time.

7. RA Imports Provisions

Please provide your organization's feedback on the RA Imports Provisions proposal as described in the second revised straw proposal.

CESA has no comments to offer on this topic at this time.

Flexible Resource Adequacy

8. Identifying Flexible Capacity Needs and Requirements

Please provide your organization's feedback on the Identifying Flexible Capacity Needs and Requirements topic as described in the second revised straw proposal.

CESA supports, with caveats, the ISO's methodology to determine flexible capacity needs and requirements but believes more stakeholder discussion is needed on eliminating the three-hour ramping Flex RA product altogether. CESA has some concerns with the ISO's assertions that it will be able to cover all the predictable ramping needs solely by depending on the Imbalance Reserve Product to incentivize resource procurement that creates a deep pool of flexible resources. While the Imbalance Reserve Product requires 15-minute ramp-capable capacity, which will address some of our previous concerns around defining flexible products to support fast-start capabilities, it is unclear on whether the Imbalance Reserve Product will be sufficient to address deep ramping needs, where forecasts of portfolios from the Integrated Resource Planning (IRP) proceeding show significant ramps exceeding many tens of thousands of megawatts over a multi-hour period. Compared to a portfolio of resources that can be optimized collectively as 15-minute ramp-capable

capacity, a standardized product that can provide that quick-start, multi-hour ramping may still have value.

9. Setting Flexible RA Requirements

Please provide your organization's feedback on the Setting Flexible RA Requirements topic as described in the second revised straw proposal.

CESA generally supports the ISO's proposal to set Flexible RA requirements and agrees with the factors the ISO has considered to take into account to estimate flexibility needs.

10. Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility

Please provide your organization's feedback on the Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility topic as described in the second revised straw proposal.

CESA supports the ISO's proposal to change the counting rules associated to EFC considering the growing need for intra-hourly flexibility. CESA is also supportive of the ISO's conclusion that NGR resources shall not have their EFC capped at their UCAP in order to reflect their full charge and discharge range. However, CESA would appreciate if the ISO could explicitly clarify that the new EFC of NGR resources can exceed the UCAP at least by a factor of two, in line with current CPUC rules.

11. Flexible RA Allocations, Showings, and Sufficiency Tests

Please provide your organization's feedback on the Flexible RA Allocations, Showings, and Sufficiency Tests topic as described in the second revised straw proposal.

CESA generally supports the CAISO's proposal.

12. Flexible RA Must Offer Obligation Modifications

Please provide your organization's feedback on the Flexible RA Must Offer Obligation Modifications topic as described in the second revised straw proposal.

CESA generally supports the CAISO's proposal.

Local Resource Adequacy

13. UCAP for Local RA

Please provide your organization's feedback on the UCAP for Local RA topic as described in the second revised straw proposal.

CESA requests further clarity on the ISO's proposal to incorporate the UCAP metric in its Local RA process. Specifically, CESA has concerns with the CAISO's proposal to establish local capacity requirements (LCRs) by converting them from a dataset based on net qualifying capacity (NQC) to a UCAP-based one using a "conversion factor". The Second Revised Straw Proposal is not clear on how such a conversion would work and offers the example of multiplying the LCR times the average UCAP for all resources located in a local area. This proposal requires further refinement and should address the issues that the UCAP value is *not* similar for all resources in the local area, regardless of technological differences. Instead, the ISO should consider employing averages and medians by resource class rather than by area. Averages can be used for resources with considerable deployment while medians can be employed for nascent resource classes in order to minimize the impacts of outliers.

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements Initiative.

CESA is concerned about the content of Appendix 9.2 within the ISO's Second Revised Straw Proposal. First, CESA believes that these ideas have not been sufficiently socialized or discussed in the stakeholder forums. Currently, there are at least four distinct initiatives that are evaluating how storage resources can be better incorporated to the CAISO markets: DAME, Energy Storage and Distributed Energy Resources (ESDER) Phase 4, Transmission Planning Process (TPP), and the present initiative. Among these initiatives, CESA believes that this issue may be best addressed in the DAME Initiative, where it could be more thoroughly socialized and discussed.

Second, CESA believes that the issue described by the ISO in this Appendix does not accurately reflect how the CAISO markets operate currently. The ISO argues that it is possible for storage resources to incur significant losses if they were to operate in contradictory ways in the real-time market relative to their scheduling derived from the day-ahead market. CESA's understanding is that this is currently avoided by means of the ISO's Bid Cost Recovery (BCR) mechanism. If this is accurate, the issue highlighted by the ISO would be moot. On the other hand, if this is an issue observed currently for storage resources, it would imply that the BCR is not working properly for storage resources and might be discriminatory towards them. Either way, CESA urges the ISO to present this issue with added clarity, both regarding its foundations and implications, within this and any other applicable initiatives currently underway.

Notwithstanding our many comments above, we greatly appreciate the ISO's efforts and thought leadership on enhancing the operationalization of RA resources in the market and look forward to working further with the ISO team.