



Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fourth revised straw proposal that was published on March 17, 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 **April 14, 2020**.

Submitted by	Organization	Date Submitted
Evelyn Kahl, (415) 254-5454	California Community Choice Association ¹	<i>April 14, 2020</i>

Please provide your organization's overall position on the RA Enhancements fourth revised straw proposal:

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

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.

¹ California Community Choice Association represents the interests of 20 community choice electricity providers in California: Apple Valley Choice Energy, CleanPowerSF, Clean Power Alliance, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Pioneer Community Energy, Pico Rivera Innovative Municipal Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Jacinto Power, San Jose Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

CalCCA continues to support CAISO's proposed UCAP methodology, though as stated in CalCCA's comments on the third revised straw proposal, it is critical that the data used to set the UCAP requirements accurately represent actual forced outages for individual resources and each class of resources. CalCCA had previously expressed concerns that the data from prior analyses may overstate the actual frequency of forced outages, or might include previously denied planned outages that could be mitigated moving forward. CalCCA is encouraged that CAISO has been evaluating OMS data to develop reasonable assessments of the percentage of time resources are actually unavailable due to forced outages.

CalCCA continues to be concerned with the previous proposal to use an arbitrary selection of only 100 hours in each of two seasons for use in UCAP calculations. An unintended consequence is that a resource's UCAP could be disproportionately impacted by unfortunate random chance with little predictive value for future performance. Parties may then be motivated to show RA resources with artificially high UCAP values and avoid resources with artificially low UCAP values, thereby unnecessarily skewing the pool of RA resources (for current purposes, artificially high or low means the values are likely to be unrepresentative and not predictive of future resource performance). CalCCA encourages the CAISO to use a larger selection of hours, and to identify in a compelling manner with supporting analysis why an all-hour (8,760) dataset is not appropriate.

CalCCA supports the proposal to set the RA requirement using UCAP rather than NQC values. This provides the appropriate incentive for resource owners to minimize forced outages and allows for a clear understanding of the RA capacity expected to be available to CAISO.

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

CalCCA supports CAISO's proposed approach to evaluate the UCAP shown by each LSE to determine if there is an individual deficiency and provide an opportunity to cure or to allocate backstop procurement costs.

CalCCA also supports CAISO's proposal to use a stochastic, rather than deterministic, model for the portfolio deficiency testing. A probabilistic approach will provide a more robust assessment of the expected performance of the RA resource portfolio and need for additional resources. CAISO's proposal to use the same tool it currently uses to perform its Summer Loads and Resources Assessment (PLEXOS) appears to be reasonable, since much of the core modelling functions are identical to what the CAISO needs for the proposed portfolio analysis.

CalCCA agrees that work is needed to develop the criteria that will be used to determine whether the portfolio is deficient and, if so, how much capacity is needed. CalCCA looks forward to working with CAISO and stakeholders to develop this criteria and analytical approach. CalCCA supports CAISO performing the portfolio deficiency analysis monthly to determine the need for potential backstop procurement. In addition, CalCCA suggests that CAISO consider performing an advisory portfolio deficiency assessment based on the annual RA showings and applying an appropriate load scaler to align with the 90% system showings and the 100% local capacity showings, at least for the summer months. Doing so would provide an indication to LSEs of potential collective deficiencies to address in their monthly showings.

- b. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

CalCCA supports CAISO's Option 1 proposal to incorporate a margin for expected planned outages in the non-summer months and to eliminate the requirement for replacement capacity for approved planned outages. Doing so will provide CAISO with the expected RA resources needed to accommodate necessary planned outages and will provide more certainty for resource owners to complete required maintenance. Most importantly, it will reduce the incentive for resource owners to withhold capacity from forward RA markets, since they will no longer need to self-supply replacement capacity to cover planned outages. CalCCA believes this is an important complement to the UCAP approach for addressing forced outages.

CalCCA opposes CAISO's Option 2 proposal because it does not provide CAISO with the amount of expected RA capacity available to meet CAISO's needs, and also continues to require resource substitution for both forced and planned outages. The resource substitution requirement provides an incentive for resource owners to individually self-insure against forced and maintenance outages and therefore to potentially withhold capacity from bilateral RA markets. This would be both detrimental to market liquidity and pass up the benefits of efficient risk pooling offered in Option 1. This is less efficient than directly incorporating the historical forced rates into each resource's UCAP and collectively identifying the planned maintenance outage requirements up-front.

- i. Please provide your organization's feedback on when bids should be submitted and how and when they could be changed under Option 2: CAISO procures all planned outage substitution capacity, and what are the implications of doing so under any proposed option.

For the reasons above, CalCCA does not support Option 2.

- ii. Please provide your organization's feedback on whether or not the Planned Outage Substitution Capacity Bulletin Board is necessary and, if so, why given the effort to develop and maintain.

CalCCA does not believe a Planned Outage Substitution Capacity Bulletin Board would be necessary under either Option 1 or Option 2. With Option 1, replacement capacity for planned outages will have been explicitly provided collectively up-front. With Option 2, the daily outage replacement product will be a much more efficient tool for acquiring replacement capacity than a bulletin board.

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

Consistent with CalCAA's comments on the CPUC RA OIR Track 1 proposals,² CalCCA supports the proposed requirement that the RA showings identify a specific source, including pseudo-tied or

² Opening Comments of the California Community Choice Association on Track 1 Proposals. Available at: https://cal-cca.org/wp-content/uploads/2020/03/R1911009-CalCCA-Track-1-Comments-3_6_20.pdf

dynamically scheduled resources and individual or aggregated physical resources that are in excess of the host balancing authority area (BAA) requirements (i.e., not committed to other uses). CalCCA opposes requiring firm transmission to be identified at the time of the monthly showings and opposes a RTM Must-Offer Obligation (MOO) for RA Import resources that do not clear the DAM, for the reasons described below. Instead, CalCCA supports the use of contracts and attestations that confirm the RA Import cannot be curtailed for economic reasons, and either (a) is delivered on transmission that cannot be curtailed in operating hours for economic reasons or bumped by higher priority transmission or (b) specifies firm delivery point (i.e., is not seller's choice).

Taking the more restrictive approach CAISO proposes would unnecessarily reduce the availability of reliable imports, increase costs, and subject LSEs to potential exercise of market power in the firm transmission market. Requiring a supplier to commit firm transmission a month ahead, with no certainty that its supply will be needed, will discourage participation in the RA market. And if a supplier chooses to make this commitment, it will come at a steep price to customers. In addition, as Morgan Stanley Capital Group (MSCG) demonstrated in its RA Track 1 proposal, only four parties have firm transmission rights on both the BPA NW Network to Big Eddy and the Southern Intertie (Big Eddy to NOB) and one party controls nearly 80% of the 1,209 MW of NOB rights.³ This presents a significant challenge for other sellers to obtain source-to-sink firm transmission in advance of the transmission being released to the market for use by more economical resources, and therefore would reduce supplies. Mandating a month-ahead showing of firm transmission likely will provide little or no incremental benefit than a contract provision, attestation and penalty, but will certainly reduce supply and/or increase costs unnecessarily.

The CAISO Department of Market Monitoring (“DMM”) has expressed similar concerns about concentration of firm transmission rights in its recent comments on the Extended Day Ahead Market February 11-12 Stakeholder Workshop.⁴ While DMM’s comments were related to proposed firm transmission requirements for the EDAM resource sufficiency test, the concerns expressed by DMM are equally applicable to RA Imports, and one could substitute “RA Imports” for “resource sufficiency” in the statements below:

“DMM’s understanding is that...the proposed firm transmission requirement for resource sufficiency resources could create competitive advantages for holders of firm transmission service on major paths...”

The EDAM design clearly needs to allow EDAM entities to meet resource sufficiency obligations with power from resources that must schedule over another balancing authority area’s transmission. However, in the absence of changes to existing timelines and protocols for releasing firm transmission, the proposed firm transmission requirement for resource sufficiency qualification will restrict the amount of transmission that EDAM load serving entities can rely on for delivering the most efficient resource sufficiency resources. This is because third party entities can purchase long-term firm transmission rights at

³ Comments of Morgan Stanley Capital Group Inc. on Track 1 Proposals Submitted in R.19-11-009 at pg 11. Available At: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M329/K233/329233754.PDF>

⁴ February 26, 2020 Comments by the Department of Market Monitoring. Available at: <http://www.aiso.com/InitiativeDocuments/DMMComments-ExtendedDay-AheadMarketTechnicalWorkshop-Feb11-12-2020.pdf>

regulated rates on critical paths between generation and load centers when transmission operators first offer the firm rights, far in advance of the day-ahead market timeframe...

For paths on which firm service is fully subscribed before the day-ahead market timeframe, the ability of any entity to procure additional high-quality service on that path to meet resource sufficiency requirements would be controlled by the existing holders of firm scheduling rights on that path... Competition may be limited further when an entity controlling large amounts of firm transmission rights also controls significant amounts of capacity that could potentially be packaged and sold with firm transmission to meet EDAM resource sufficiency requirements.

DMM recommends that the ISO and stakeholders openly analyze and discuss the extent to which current WECC transmission access protocols may limit the competitiveness of a market for EDAM resource sufficiency under the proposed day-ahead firm transmission requirement.”⁵

CalCCA urges CAISO to relax any requirement for firm transmission for RA Import resources unless and until the issues raised by DMM with respect to firm transmission for the EDAM resource sufficiency are fully investigated and resolved with respect to RA Imports.

CalCCA opposes a RTM MOO for RA Imports that do not clear the DAM for several reasons. First, the CAISO’s Day Ahead Market Enhancements Straw proposal contemplates that CAISO will be able to address the uncertainty between the DAM and RTM by procuring imbalance reserves, taking into consideration both internal and external resources. A RTM MOO for all RA Imports would likely reduce the efficiency of the EIM by tying up transmission that otherwise could have been used to dispatch more efficient resources. Finally, significant market concentration of firm transmission exists, particularly at CAISO’s northern interties, leading to the potential for significant cost increases to California consumers. For these reasons, CalCCA supports retention of current CAISO rules, which impose a RTM MOO on RA Imports only when they receive a DAM award.

2. Backstop Capacity Procurement Provisions

Please provide your organization’s feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.2. Please explain your rationale and include examples if applicable.

CalCCA supports CAISO’s proposed Backstop Capacity Procurement provisions identified in Section 4.2 of the Straw Proposal. These provisions would include new CPM authority to procure resources in the following three scenarios: (1) system UCAP deficiencies through the RA process; (2) inability to serve load in the portfolio deficiency test; and (3) an identified need to procure local RA after an area or sub-area fails to meet the energy sufficiency test. As noted below, we oppose the proposed UCAP deficiency tool.

- a. Please provide your organization’s feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.2.1. Please explain your rationale and include examples if applicable.

⁵ Id. at 1.

CalCCA supports CAISO's proposal to maintain a similar paradigm to the current CPM process for allocating deficiencies. That is, the CAISO will first allocate the costs to system UCAP deficiencies, then to NQC system deficiencies, then to local individual deficiencies, then to local collective deficiencies, and finally to portfolio deficiencies.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.2.2. Please explain your rationale and include examples if applicable.

CalCCA supports CAISO's proposal to procure on the basis of UCAP, rather than NQC. The CAISO must consider the forced outage rates of the available resources in making its UCAP designations.

- c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.2.3. Please explain your rationale and include examples if applicable.

CalCCA has no comment on this aspect of the proposal.

- 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.

CalCCA has no comment on this aspect of the proposal.

- d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.2.4. Please explain your rationale and include examples if applicable.

CalCCA continues to oppose CAISO's proposed new tool, intended to encourage load to procure resources above their share of the UCAP requirement and disincentivize entities from leaning on other LSEs. As stated in CalCCA's comments on the second revised straw proposal:

CalCCA opposes the proposed LSE RA showing incentive, in which CAISO would charge short LSEs a penalty and distribute collected proceeds to long LSEs. We are concerned that such penalties could distort the bilateral RA markets, particularly in cases where suppliers have market power. Parties that fail to meet their RA requirements will be at risk of being allocated CAISO backstop procurement costs resulting from their deficiencies, in addition to being exposed to potentially high energy market prices. CalCCA also notes that if the RA-CPE proposal supported by CalCCA is implemented, all of the CPUC jurisdictional LSE RA requirements would be met on a three year forward basis by individual LSEs and the RA-CPE without any penalty structure.

3. 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.

CalCCA appreciates CAISO's efforts to align with the CPUC on Phase III issues and notes that several elements of Phase II, including RA Import provisions, will also require close coordination with the Commission. Also to the extent that the CAISO's implementation plan is delayed,

adequate time must be provided for LSEs to adjust their procurement strategies and comply with any new rules that may result in significant changes to the RA market.

4. 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.

CalCCA supports CAISO plan to seek approval from the CAISO Board only. As stated by CAISO:

This initiative falls outside the scope of the EIM Governing Body's advisory role because the initiative does not propose changes to either real-time market rules or rules that govern all CAISO markets. This initiative is focused on the CAISO's RA planning, procurement, and performance obligations. This process applies only to LSEs serving load in CAISO's BAA and the resources procured to serve that load, and does not apply to LSEs outside CAISO's BAA.

Additional comments

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

CalCCA appreciates CAISO's clear and concise drafting of objectives and principles included in the Appendix of the Fourth Revised Straw Proposal.