



Stakeholder Comments Template

RA Enhancements

This template has been created for submission of stakeholder comments on the RA Enhancements Issue Paper that was published on October 22, 2018. The Issue Paper, 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.

| Submitted by | Organization | Date Submitted |
|---|--|-------------------|
| Julie McLaughlin juliemclaughlin@cogentrix.com (415) 209 4367 | Cogentrix Energy Power Management, LLC | November 14, 2018 |

Submissions are requested by close of business on **November 14, 2018**.

Please provide your organization's comments on the Issue Paper scope items listed below and any additional comments using this template.

Scoping Items

The ISO's has identified the following items for the initial scope of this stakeholder process. Please provide comments on each of the scoping items.

1. RA Counting and Eligibility Rules

a. System RA

The ISO proposes to review the RA counting and eligibility provisions related to RA resource NQC adjustments in this initiative, including a review of the application of Effective Forced Outage Rate (EFOR) performance criteria and accompanying NQC reductions and a review and clarification of RA counting rules for RA resources. Please provide comments on this scope.

Comments:

As noted in previous comments to the “2019 & 2023 Draft Local Capacity Requirements (LCR) and Flexible Ramping Capacity (FRC),” Cogentrix’ position is that it is imprudent to assume that the Net Qualifying Capacity (NQC) of all generation connected to the grid is available for the purposes of determining resource adequacy requirements, based on the existing NQC procedure. For instance, in those comments, Cogentrix noted that, in reference to the 2019 NQC showings, three qualified facilities at Navy and Marine installations in San Diego with a combined NQC of 96 MW were counted as available for the purposes of RA, when in reality the resource owners lost site control and ceased operations.

The concrete example above is one data point indicating the importance of improving the NQC process so that the ISO has an accurate account of available capacity. In addition, there are a number of other scenarios under which certain resources are chronically under producing compared to name plate capacity. This has been especially true of hydro in recent years.

Cogentrix strongly supports an evaluation of NQC adjustments consistent with the methodologies adopted in CAISO’s Qualifying Capacity Methodology Manual. To better understand how the ISO plans to approach this aspect of the initiative, Cogentrix poses a series of clarification questions:

1. How does the ISO anticipate calculating the EFOR performance criteria?
2. On what time interval will the EFOR performance criteria be calculated?
3. How does the ISO plan on addressing the well documented over-counting of renewables through the application of the current ELCC methodology as it relates to RA counting?
4. Does the ISO plan on using one methodology for all technologies, or different methodologies for different technologies?
5. Does the ISO anticipate that the review of NQC adjustments will result in increased or decreased RA capacity in the market?

b. Flexible RA

The ISO proposes to continue exploring enhanced flexible RA counting rules started in the FRACMOO2 stakeholder process. More specifically, the ISO will continue assessing the operational capabilities required from the fleet to align with both the Day-Ahead Market Enhancements (DAME) and the Extended Day Ahead Market (EDAM) and what flexible RA counting rule changes may be needed. Please provide comments on this scope.

Comments:

Cogentrix has been a supporter of and an active participant in the FRACMOO2 initiative since its inception. Cogentrix agrees with the problem statement in the background section of the Second Revised FRACMOO2 Proposal, which states that the “ISO’s assessment shows that the current flexible capacity product is overly inclusive, and risks

exacerbating the ISO's operational challenges by sustaining largely inflexible resources (long starting, long minimum run times, and high Pmins) at the expense and financial viability of more flexible resources." Furthermore, Cogentrix notes the increasing system imbalances resulting from greater penetration of intermittent resources as well as increasing levels of uncertainty between the day-ahead and real-time market. According to the ISO, this uncertainty has resulted in re-dispatching of up to 9,000 MW between the day-ahead market and real-time markets.¹

As such, Cogentrix supports the exploration of enhanced flexible RA counting rules and adjustments to the product so that it aligns with the anticipated changes to DAME and EDAM. Cogentrix also supports the ISO continuing pursuit of the goal established in FRACMOO2 to create a meaningful flexible RA product that sends appropriate market signals and provides the ISO with the tools to ensure system reliability.

To achieve a meaningful flexible RA product that sends appropriate market signals and provides the ISO with the necessary tools for ensuring reliability, Cogentrix asserts that two key changes to the RA counting rules are essential.

First, the fifteen-minute product should reflect resources that can respond to real-time needs. If long-start resources and variable energy resources (VERs) clear in the Day Ahead Market for the fifteen-minute product, the ISO may not have the flexibility it requires to respond to uncertainty in real-time. The current overly inclusive flexible RA criteria results in a market signal that is highly diluted or non-existent and limits ISO's ability to respond to real-time uncertainty.

Second, Cogentrix encourages the ISO to provide further transparency to the Resource Adequacy market. Transparency is critical to ensuring proper price formation, which is necessary for the efficient procurement of adequate capacity to ensure reliability. Greater transparency would allow the market participants to identify areas of need and encourage the market to find ways to meet any shortages or deficiencies.

2. Review of Resource Adequacy Import Capability Provisions

The ISO proposes to conduct a comprehensive review of the ISO's Import Capability provisions, including; calculation methodologies, allocation process, and reassignment/trading provisions. The ISO believes that it may also be necessary to consider multi-year assessments and allocations. Please provide comments on this scope.

Comments:

Cogentrix supports review of RA Import Capability Provisions. In July and August of this year, the ISO used 4,000 MW of imports, equivalent to 8% of system RA requirements, up from 3,600 MW the previous summer, according to the DMM.² As imports continue to provide an increasing amount of system resources, the rules that govern their participation in the ISO market become increasingly important.

¹ CAISO *Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2; Second Revised Flexible Capacity Framework*, April 27, 2018 at 4.

² CAISO, Department of Market Monitoring, *Import Resource Adequacy*, September, 2018 at 1.

With respect to multi-year assessments and allocations for imports, Cogentrix believes that it is essential to prioritize implementation and evaluation of the anticipated multi-year framework for in-state resources first, before exploring expansion.

3. Rules for RA imports

The ISO proposes to include a review of RA import rules and provisions in the scope of this initiative, including a reassessment of the requirements and rules for the sources behind RA imports. Please provide comments on this scope.

Comments:

Cogentrix supports review of RA import rules to ensure that Importers are held to reasonable and comparable standards to in state resources (within bounds), and that there are not openings to manipulate or game the RA market. Amending any rules that allow out of state resources to speculate is problematic from a reliability perspective, and is detrimental to the economic viability of critical in state resources, further exacerbating reliability concerns. It should also be noted that California should be incentivized to resolve resource shortages without indefinite reliance on out of state resources over which there will always be less authority. Reducing the potential for import speculation should be an especially high priority as a reliability concern.

First, speculative pricing by imports that suppress market pricing erodes the ability of in state resources, which providing critical RA, to continue operating economically and results in increasing retirements and/or backstop procurements, ultimately further increasing the dependence on imports.

Second, RA import resources that are not under an obligation to show up could become unavailable in the instance of a broader heat waver or other demand spike across the Western region.

Finally, RA import resources should be resource specific and demonstrate firm transmission rights in order to ensure adequate a reliable capacity.

4. Must Offer Obligations, Substitution Rules, and RAAIM

The ISO proposes to include a review of the following set of issues as a part of this stakeholder initiative; need for substitution rules and RAAIM, developing an emergency or event based RAAIM trigger, and must offer obligations for RA imports. Please provide comments on this scope.

Comments:

Cogentrix believes that the Resource Adequacy Availability Incentive Mechanism (RAAIM) is achieving its objective of incentivizing resources to remain available to meet demand and comply with their MOO obligations. Therefore, Cogentrix does not see a need to significantly alter RAAIM. Furthermore, these rules were recently changed and frequent changes to penalty rules communicates a bad signal to the market and investors seeking continuity of the market rules. Lastly, in light of the extensive list of complicated issues the ISO hopes to address with this RA Enhancement Proceeding, Cogentrix does not see the benefit of also trying to fix what is not broken in the RA market.

5. **System and Flexible Capacity Assessments and Adequacy Tests**

As part of this stakeholder initiative, the ISO is considering a new tool to assess the adequacy of the system and flexible RA fleet. Please provide comments on this scope.

Comments:

Cogentrix requests more details from the ISO regarding how the ISO plans to approach the creation of new tools for assessing the adequacy of the system and flexible RA fleet. Cogentrix also notes that inadvertent signals or misinterpretation of signals can result from incorporation of new tools and, any new tools should be considered with careful evaluation and extended testing.

6. **Meeting Local RA Needs**

a. Local capacity assessments with availability limited resources

As part of this stakeholder initiative the ISO proposes to enhance the ISO's local capacity technical analysis to assess the impact of availability limited resources on local capacity needs. Please provide comments on this proposed scope.

Comments:

Cogentrix supports technical assessment of the impact of availability limited resources on local capacity needs and would like to understand how the ISO plans to carry out this analysis.

b. Meeting local capacity needs with slow demand response

Through this initiative, the ISO proposes to explore how to best operationalize slow DR through pre-contingency dispatch so these resources can mitigate local reliability concerns and qualify for local RA. Please provide comments on this scope.

Comments:

Cogentrix views slow response DR as a lower priority to other aspects of this initiative.

7. **CPM/RMR Review**

Through this initiative, the ISO is planning to identify any needed changes to the capacity procurement mechanism (CPM) or reliability must run (RMR) mechanisms, particularly focusing on the existing cost allocation tools. Additionally, the ISO will specify the process for backstop procurement of essential reliability resources (ERRs) if they are not procured through the RA process. Please provide comments on this scope.

Comments:

Cogentrix feels strongly that review of the CPM and RMR as well as the establishment of a process for ERRs should be out of the scope of this initiative. These are contentious issues that are not directly related to the RA system and have potential to stall or derail critical RA reform, the absence of which continues to result in increasing backstop procurement and risks to system reliability.

Scope of Policy Examination

The ISO's has identified the initial scope for this stakeholder process as the items listed above. Please provide comments on the proposed scope. If there are specific items not already identified by the ISO that you believe should be considered, please provide specific rationale for why the ISO should consider it as part of this initiative.

Comments:

Please refer to comments above under "CPM/RMR Review" regarding what should be excluded from the scope of this initiative.

Other

Please provide any comments not addressed above, including any comments on process or scope of the RA Enhancements initiative, here.

Comments:

Cogentrix notes with concern the increased use of backstop procurement by the ISO over the past two years. Cogentrix maintains that the increase in backstop procurements by the ISO is symptomatic of a dysfunctional RA framework that does not provide essential reliability resources with sufficient market revenue to support continued investment in maintenance required to sustainably operate critical infrastructure. Furthermore, the sizable Significant Event CPM procurements in September and October of this year evidence real threats to reliability.

Cogentrix has actively participated in the stakeholder processes at the ISO relating to Resource Adequacy, which have been largely fragmented and compartmentalized, delivering a patchwork of market rules. The postponement of FRACMOO2 was disappointing, yet indicative of circuitous stakeholder processes that do not deliver the results that the market required to be sustainable without backstop procurement. Cogentrix encourages the ISO to utilize this initiative to bring about much needed reform to a dysfunctional RA system.