California ISO

Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy Enhancements Straw Proposal Part 1 that was published on December 20, 2018. The Straw Proposal Part 1, 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
Steven Kelly Policy Director	Independent Energy Producers Assoc. (IEP)	Feb 06, 2019

Submissions are requested by close of business on February 6, 2019.

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

1. **Rules for Import RA**

   Please provide your organization's feedback on the Rules for Import RA topic. Please explain your rationale and include examples if applicable.

   IEP commends the CAISO for its proposals to insure actual resources are identified and available to operate when needed to meet RA requirements to ensure grid reliability. IEP supports the comparable treatment of internal and external resources in CAISO markets. Accordingly, IEP supports CAISO efforts to align the treatment of internal and external resources with regards to RA rules, including review of bidding rules and must-offer obligations, absent strong practical reason to do otherwise.

   IEP requests further discussion on the alignment of bidding rules and must-offer obligations. If the alignment of bidding rules and must-offer obligations is impractical and/or infeasible, as suggested by the CAISO, it appears that the CAISO will be operating in a world in which RA resources may be bifurcated into those with higher/lesser levels of availability. This requires further assessment.

   Like the CAISO, IEP also is concerned about RA rules that potentially allow for "speculative supply" to qualify as RA. We urge the CAISO to assess the risk of "speculative supply" and take steps, as appropriate to reduce if not eliminate the risk.

Capacity Resources "counted" in one area should not be "counted" as available in another area. Thus, the CAISO should consider establishing rules to protect against "double-counting" of capacity resources (e.g. local, system, and flexible) irrespective of their physical location (e.g. internal or external to the CAISO balancing authority). Moreover, the retirement of large capacity resources scheduled throughout the western interconnect suggests may create additional pressure on external Balancing Authorities to rely on remaining capacity external to the CAISO for their needs.

In this context, we would appreciate more discussion of why the CAISO believes that "requiring a designation of the source Balancing Area ("Source BA") will be sufficient to assist in ensuring that RA imports are not being double-counted for EIM resource sufficiency tests" (Straw Proposal, p. 8). For example, why is designation to an external BA more reliable than "resource-specific" designations when relying on resources to be available to meet CAISO RA needs?

2. RAAIM Enhancements & Outage Rules

a. Please provide your organization's feedback on the Addressing Planned and Forced Outage Issue topic. Please explain your rationale and include examples if applicable.

As IEP understands the Straw Proposal, the CAISO proposes to eliminate the RA Availability Incentive Mechanism (RAAIM) or, alternatively, vastly simplify its design and implementation with limited exemptions. In this regard, the CAISO has proposed two options: (a) Option 1 would enable the CAISO to procure capacity for any days on which the resource is on planned outage using the standing CSP bids, or cancel the outage; or, alternatively, (b) Option 2 would prohibit resources taking planned outages during a month that the resource is providing RA capacity.

IEP is concerned about the unintended consequences of modifying the RAAIM as proposed in the Straw Proposal. At this point, we cannot support the direction proposed.

- We welcome further discussion and elaboration on what the CAISO is proposing and the potential implications for RA as well as CAISO markets. We also welcome supporting information/data that relates to the scope/scale of the "problem" proposed to be addressed in the proposal. We would like to know the extent to which units on Planned Outage (on schedules agreed to by the CAISO) are unavailable when and where needed by the CAISO.

As a more general observation, the CAISO should address how the Resource Adequacy Enhancements Straw Proposal: Part 1 (as well as Part 2) aligns with the direction that the CPUC is pursuing in its RA proceeding, including a (a) multi-year RA Framework and (b) the engagement of a central procurement entity (CPE).

b. Please provide your organization's feedback on the RAAIM Enhancements topic. Please explain your rationale and include examples if applicable.

The Part 1 Straw Proposal envisions establishing different criteria for planned and forced outages. With regards to planned outages, i.e. outage schedules approved by the CAISO, the CAISO is considering two options: (a) providing resources on CAISO-approved Planned Outage to procure replacement capacity on its own behalf for those days in which it is taking an CAISO-approved outage or enabling the CAISO to procure replacement capacity on the resource's behalf (and presumably billing the resource for the purchase). This seems to upset the notion of an CAISO-approved Planned Outage. Alternatively, the Part 1 Straw Proposal proposes to prohibit resources taking planned outages during a month from providing capacity during that month. (Part 1 Straw Proposal, p. 12)

- IEP would appreciate more discussion of the role/purpose of a CAISO-planned outage and the obligations for paying for replacement power during those periods in which the CAISO has approved an outage.

- IEP would appreciate more discussion on why the CAISO would propose to reduce the capacity that would otherwise be available to it under an CAISO-approved Planned Outage. For example, if a resource obtained approval for a two-week outage, why limit the resource from providing RA during the remaining weeks of the month for which it is available?

The Part 1 Straw Proposal proposes to eliminate exemptions form an availability/performance assessment and the need for substitute capacity for forced outages. Alternatively, the CAISO will consider extending current exemptions if the resource can demonstrate that it is "subject to a similar performance obligation tied to ISO operational needs." (Straw Proposal, p. 14)

- IEP asks that the CAISO briefly describe the types of resources for which exemptions are currently granted.

- IEP asks that the CAISO elaborate on the standards/guidelines/rules by which a resource might demonstrate that it is subject to "similar performance obligation tied to CAISO operational needs.

i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

The Part I Straw Proposal indicates that the current RAAIM tool assesses whether an RA resource submitted an economic bid or self-schedule in the day-ahead and real-time markets during the availability assessment hours (AAHs), but it notes there is no consideration of how well a resource performs in response to CAISO dispatch instructions. (Straw Proposal, p. 15).

- IEP requests that the CAISO demonstrate the extent to which RA resources subject to ISO dispatch instructions fail to perform, i.e. how

pervasive is this phenomenon? Are there specific resource-technology types that fall into this category?

The CAISO is exploring event-based triggers for availability and performance assessments (vs. time-based). The CAISO proposes to eliminate exemptions from an availability/performance assessment and the need for substitute capacity for forced outages.   The CAISO is considering as assessment based on two measures: availability and performance in real-time.

- IEP asks that the CAISO explain in the context of RA the difference between an "availability" metric and a "performance" metric. It seems that the "performance" metric ought to encompass availability of the resource.

Apparently, the CAISO is proposing a "CPM-like" mechanism to procure replacement capacity when a resource on a planned or forced outage is needed based on events.

- While IEP supports the CAISO's efforts to make sure resources counted for RA are available when and where needed, IEP believes that this proposal needs more discussion We are concerned that the proposal to modify RAAIM is being presented as a "piecemeal" proposal and it is not being discussed in the context of broader, "holistic" reform of RA, including the anticipated Part 2 reform package developed by the CAISO as well as the reforms underway at the CPUC. Certainly, the CAISO's proposal to replace/modify the RAAIM mechanism must be considered in a broader context of RA program reform including Part 1, Part 2, the proposed modifications to the CPM and RMR mechanisms, and the CPUC RA reform efforts. We look forward to further discussions on this important matter.

3. Local Capacity Assessments with Availability-Limited Resources

Please provide your organization's feedback on the Local Capacity Assessments with Availability-Limited Resources topic. Please explain your rationale and include examples if applicable.

As noted above regarding internal and external resources, the CAISO should strive to treat all resources on a comparable basis to the extent practical and feasible. This principle applies to slow response resources. The goal is to ensure that the CAISO has available to it the resources it needs when and where needed. The goal should not be to stretch the market design to accommodate resources that otherwise do not fit the needs of the CAISO, because this would be inconsistent with the principle of treating resources comparably.

4. Meeting Local Capacity Needs with Slow Demand Response

Please provide your organization's feedback on the Meeting Local Capacity Needs with Slow Demand Response topic. Please explain your rationale and include examples if applicable.

See response to Question 3 above.

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements Straw Proposal Part 1.

While IEP appreciates the complexity of RA reform/enhancement, we believe it would be helpful for the CAISO to add a bit more detail to the enhancements contemplated in Part 2. We recognize that the Part I Straw Proposal briefly describes the issues assigned to Part 2; however, at this point, it is difficult to envision how the "whole" fits together.