



## Stakeholder Comments Template

### Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fifth revised straw proposal that was published on July 7, 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **August 7, 2020**.

Submitted by	Organization	Date Submitted
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**Please provide your organization's overall position on the RA Enhancements fifth 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.

Olivine and CPower jointly offer the following comments on CAISO's proposal for UCAP assessment of Demand Response resources:

We do not support CAISO's proposal to derate the NQC of Demand Response resources based on historical resource performance if the CPUC does not adopt ELCC as a counting methodology. Given the lack of concrete ELCC proposal and significant opposition from both DRPs and utilities,

there is a high likelihood that this alternative proposal will be implemented by CAISO starting RA Year 2023. As currently proposed, there is a significant overlap in the impact between CAISO assessment in UCAP and the CPUC's QC determination of the capacity value of a DR resource via Load Impact Protocols (LIPs). CPUC Decision D.19-06-026 reiterated that other than DRAM, all DR, including third-party DR, will receive QC values from LIPs. LIPs are based heavily on ex-post analysis of market dispatches. Under the LIP ex-post impacts are determined based on actual resource performance during RA Measurement Hours, currently consistent with CAISO RA Assessment Hours. Ex-post performance is multiplied by enrollment projections in order to determine approximate future year impacts and establish a QC value that already encompasses historical performance by a DRP's resources. In the absence of actual resource performance other publicly available performance of similar DR resources is used to establish the QC under the LIP.

CAISO's proposal to look at average resource performance to alter the RA value of a DR resource is largely a duplicative effort. If a DR program has poor performance for one year, its QC will already be derated in the following RA year. Double penalization of RA capacity for DR jeopardizes the prospects of wholesale integration in California.

Consider a DRP with 10 MW of RA capacity for 2020 and a 10 MW QC and NQC. The average resource performance is 8 MW in response to 10 MW dispatches in 2020 or 80% of NQC. Presuming that all event dispatches were in RA measurement hours, the 8 MW is the ex-post load impact per LIPs. Assuming no projected enrollment changes for RA Year 2022, the 2022 QC and accompanying NQC will be 8 MW. Based on CAISO's proposal, this 8 MW would be further derated to a UCAP value of 6.4 MW, giving DR a lower RA value than its proven capacity. Conventional generation will not get double penalized because NQCs are already based on maximum physical generation capacity and will not change based on outages or poor performance unrelated to changes in physical characteristics.

Given the significant concern with double penalization and the relationship between CPUC and CAISO counting rules, we suggest that this issue not be included in the final proposal and is set aside for separate discussion in a separate CAISO initiative or CPUC DR Working Group. We have high confidence that this double penalization will effectively put an end to wholesale-integrated DR in California. For the Demand Response Auction Mechanism, QC values are currently based on contracted capacity, not based on LIPs. It may seem appropriate to apply the proposed valuation methodology to DRAM resources, but DRAM has not been renewed long term and QC is likely to become more performance-based going forward. It only makes sense for CAISO to apply performance-based UCAP assessment for DR that is not subject to performance based QC adjustments.

If CAISO does move forward with this framework, despite concerns, we support the following changes:

*RA Assessment should be at a Contracting Entity or DRPID level, not an SC level.*

The current structure for supply-side integration allows for different entities to be retail DRPs (with relationship to the LRA), wholesale DRPs (managing CAISO registrations), and SCs (managing CAISO operations and dispatch). Indeed, several retail DRPs are represented in the wholesale market by different entities as part of the Demand Response Auction Mechanism (DRAM) pilot. Scheduling Coordinators can and do manage multiple aggregators. It would be inappropriate to assess UCAP derates to an SC that manages several 3<sup>rd</sup> party DR portfolios. Instead, CAISO could require that each DRPID (required for CAISO registrations) be given a separate UCAP value, with each third party represented by a different DRPID. This would more accurately reflect the performance of an entity's resources which seems to be the CAISO goal, while still honoring the services models that are currently supporting a number of CAISO integrated DR resources.

We understand CAISO concerns with gaming via procuring new resource IDs (or in this case, obtaining new DRPIDs). However, CAISO has multiple options to prevent this behavior, both in the approval (DRPID, resource ID) process, via SC/DRP inquiry, or via audits. We believe CAISO has sufficient resources to ensure that no gaming is occurring. We would have no issue with a required attestation or additional documentation required upon creation or modification of new resources or DRPIDs to ensure appropriate behavior.

Of note, a Retail DRP with an RA contract could switch Scheduling Coordinators and/or wholesale DRPs. If CAISO is able to identify RA sellers in monthly RA and Supply Plans, assessment could be done by contracting entity rather than by either SC or CAISO DRP. This would be especially appropriate for 3<sup>rd</sup>-party DRPs with contracts for multiple programs. We are open to further discussion as to the appropriate delineation if this moves forward but strongly oppose the current proposal.

*To accommodate necessary systems changes and preparation, performance assessment should begin no earlier than the year after this proposal is approved.*

This will allow sufficient time for DRPs to gain familiarity with the new assessment methodology and ensure that each DRPID is properly segregated. CAISO could implement a trial run of the assessment methodology with non-binding settlement charges so that DRPs and SCs are aware of what to expect and can respond appropriately to questions in calculations. If this proposal is adopted in 2021, no data prior to 2022 should be used in calculating future UCAP values.

*CAISO should not include real-time dispatch performance for years prior to 2020*

CAISO released new 60-minute and 15-minute bid dispatchable options in November 2019. Additionally, CAISO made changes to RUC in 2020 that removed long-start PDRs from bid insertion. Prior to 2020, long-start PDRs with 0 PMin would get 5-minute dispatches from RUC commitments that they were unable to respond to. If CAISO decides that it will use years prior to the adoption of this proposal for binding calculations, only day-ahead market dispatches should be included for 2020.

*CAISO should include overperformance in assessing DR availability*

For System RA resources, CAISO should include performance over 100% in counting average total performance. DR performance can appear to be below 100% even due to a full dispatch due to the use of a baseline performance that is never completely accurate. This is especially the case for sub-hourly dispatch such as 5-minute dispatches for resources that only have 15-minute metering. Counting overperformance, both within a resource and across a DRPs portfolio, would ensure that DRPs are not unfairly penalized for random deviations in performance calculations. For Local RA resources, it is appropriate for calculations to be performed at a sub-LAP level.

*CAISO should weight historical performance by program capacity.*

DRPs and DR programs, especially non-IOU DR, are likely to undergo significant changes in the upcoming years. CAISO should accommodate this by using capacity-weighted average and adjusting UCAP accordingly.

For example, suppose a DRP increases capacity from 1 MW to 10 MW to 20 MW in three years. Resource performance is 0.6 MW, 8 MW, and 20 MW. Suppose the weighting factor is the 45%, 35%, 20% that CAISO proposed. The following RA year UCAP should be:

$(20 \text{ MW} * 0.45 + 8 \text{ MW} * 0.35 + 0.6 \text{ MW} * 0.2) / (20 * 0.45 + 10 * 0.35 + 1 * 0.2) = 93.86\%$ . Without capacity weighting, the performance would be 85%:  $0.45 * 100\% + 0.35 * 80\% + 0.2 * 60\%$ . This would significantly burden the larger more recent MW performance with what in absolute values is a very small MW deviation in the first year.

- D. Please provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications topic as described in section 4.1.4. Please explain your rationale and include examples if applicable.
  - i. Please provide your organization's feedback on generally defining variations to the must offer obligations and bid insertion into the day-ahead market based on resources type, as described in Table 12 in section 4.1.4. Please explain your rationale and include examples if applicable.

CAISO states in Table 12 that for PDR, "CAISO will defer to program parameters established by the LRA. If none established, resources must follow the standard must offer obligation." This language should be modified to ensure that DR offered by third parties and sold as RA to LSEs is given the same flexibility: "CAISO will defer to program parameters established by the LRA or to operational limitations agreed to in an LRA-approved RA contract."

- b. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.5. Please explain your rationale and include examples if applicable.
  
- c. Please provide your organization's feedback on the RA Import Requirements topic as described in section 4.1.6. Please explain your rationale and include examples if applicable.
  - i. Please provide your organization's feedback on the issue of whether firm transmission service on the last line of interest to the CAISO BAA will ensure reliability and is feasible, or whether the CAISO should require point-to-point, source to sink firm transmission service as originally proposed, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.
  
  - ii. Please provide your organization's feedback on other BAA's systems bordering the CAISO and whether such a "last line of interest" proposal is feasible and would effectively support RA import capacity dependability and deliverability, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.
  
  - iii. Please provide your organization's feedback on whether a non-compliance penalty or other enforcement actions are necessary if delivery is not made under firm transmission service, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.
  
  - iv. Please provide your organization's feedback on how to convey the last line of interest, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

- v. Please provide your organization's feedback on the options proposed in section 4.1.6 and any other potential mechanisms that would best ensure RA imports are dependable and deliverable if the CAISO were to adopt, as an alternative, a "last line of interest" firm transmission service requirement. Please explain your rationale and include examples if applicable.
  
- d. Please provide your organization's feedback on the Operationalizing Storage Resources topic as described in section 4.1.7. Please explain your rationale and include examples if applicable.

## **2. Flexible Resource Adequacy**

Please provide your organization's feedback on the Flexible Resource Adequacy topic as described in section 4.2. Please explain your rationale and include examples if applicable.

## **3. Local Resource Adequacy**

Please provide your organization's feedback on the Local Resource Adequacy topic as described in section 4.3. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the UCAP in Local RA Studies topic as described in section 4.3.1. Please explain your rationale and include examples if applicable.

## **4. Backstop Capacity Procurement Provisions**

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.4. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.4.2. Please explain your rationale and include examples if applicable.
  - b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.4.3. Please explain your rationale and include examples if applicable.
  - c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.4.4. Please explain your rationale and include examples if applicable.
    - 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, as described in section 4.4.4. Please explain your rationale and include examples if applicable.
  - d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.4.5. Please explain your rationale and include examples if applicable.
5. 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.
6. 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.

**Additional comments**

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