



Stakeholder Comments Template

Resource Adequacy Revised Straw Proposal

This template has been created for submission of stakeholder comments on the *Resource Adequacy Revised Straw Proposal* that was published on July 1, 2019. The proposal, 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. Submissions are requested by close of business on July 24.

Submitted by	Organization	Date Submitted
<i>Joe Greco</i> <i>jgreco@mrpgenco.com</i>	<i>Middle River Power</i>	<i>July 24, 2019</i>

1. Principles and Objectives

Middle River Power (“MRP”) supports the objectives and principles in the Resource Adequacy Enhancements Revised Straw Proposal (“proposal”). Additionally, MRP supports the CAISO adding the following two principles.

- A. The CAISO program should be coordinated and consistent with the CPUC RA program and set the reliability standards for the CAISO BAA.

As many stakeholders have noted, having two RA programs introduces complications into procurement, contracting, and pricing expectations in the RA market. The more aligned the CPUC and CAISO are in the rules, the less likely entities will end up over or under procuring capacity to meet reliability needs. Furthermore, as capacity across the west becomes increasingly scarce, MRP believes that ultimately the CAISO should determine the local, system, flexible reliability requirements which would support a multi-year RA forward procurement program. The CPUC should allocate these requirements and direct procurement to be consistent with state goals.

- B. The CAISO RA product should continue to be based on Net Qualifying Capacity (NQC) value. The Revised Straw Proposal makes clear that the CAISO intends that the RA product and must-offer obligation into the energy market will continue to be based on resources’ NQC values. MRP believes that it should be stated upfront and as a key principle of the proposal that the CAISO may backstop or ask for additional

capacity based on aggregated forced outage levels, but that the product being delivered to the CAISO is still based on NQC.

MRP also supports the CAISO adding an objective for local, system, and flexible requirement products to work together rationally to support a multi-year procurement process. Contracting for three RA products will quickly become overly complicated if the counting rules and penalties significantly differ between the products. A main objective of the CAISO is already to simplify existing RA provisions and explicitly mentioning maintaining product cohesion within this objective would be helpful.

2. System Resource Adequacy

MRP supports the CAISO moving forward with an evaluation of two different high-level RA designs and then working with stakeholders, including the CPUC, to determine the costs and benefits of each program and which option is the right fit.

UCAP Option: The proposed UCAP requirement and backstop, with RAAIM removed. MRP provides specific feedback on this option below.

Minimum PRM Option: CAISO-set minimum Planning Reserve Margin (PRM), with continued RAAIM or other mechanism to incent generator compliance. This has been proposed by multiple entities including the Independent Energy Producers and Powerex. There are numerous issues with how the current PRM is set across different LRAs – from the decision for some LRAs to have a 0% PRM to how behind-the-meter solar PV is treated in the calculations. MRP believes that a minimum PRM option is likely to have wide-spread support across stakeholders due to its low-cost and low-effort implementation and easily definable reliability benefits. MRP does not provide further comments on this option but is supportive of the CAISO developing a specific proposal for stakeholder consideration.

UCAP Requirement

MRP asks the CAISO to provide a comparison of the 2019 RA requirement to the UCAP requirement. The CEC makes public¹ the 1 in 2 peak forecast – can the CAISO specifically identify which data they intend to use to create the UCAP requirement and provide the aggregate 2019 system RA requirement for comparison?

Forced outage rates

MRP observes that the CAISO's resource UCAP is based on multiplying a resource's NQC value by one minus a forced outage rate to get a resource's expected availability. MRP has the following comments and questions:

- MRP supports the CAISO completely removing RAAIM if the UCAP methodology is in place but significant studies must be completed prior to assuring the UCAP methodology modification will meet its intended goals.
- Should the CAISO use NQC or Pmax as a base to discount forced outages? A resource's outage, particularly derates, are based on the Pmax of a resource and

¹ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=226244&DocumentContentId=57000>

not the NQC. While MRP understands that the CAISO at a minimum would want to limit the UCAP to the NQC, it seems unnecessarily restrictive to begin with the NQC rather than the Pmax. Additionally, for resources that have a variable monthly NQC if the outage rate is based on NQC rather than Pmax, this will give each resource a monthly NQC rather than seasonal as proposed (on- and off-peak)

- How will the CAISO determine forced outage rates? Can the CAISO define service hours? As noted by the Western Power Trading Forum during the last two meetings, it is important the CAISO clarify whether they intend to capture all forced outages during their assessment window or only outages during in-service hours during this window. Due to renewable penetration, MRP observes a significant decrease in capacity factors of many of its plants, and the decision to assess when in-service or not will significantly change these plants risks and value.
- Regardless of whether the CAISO uses in-service hours or all hours, MRP supports the CAISO consideration of a UCAP methodology that uses average forced outage rates by resource class using NERC/GADS data. The CAISO could determine which is more accurate for the fleet as a whole – individual rates or resource class rates. It is MRP's theory that any individual resource is unlikely to have a future outage rate similar to their prior three-years, but on average, by technology type, future outage rates are more likely to reflect historical average rates. It also seems like using a class average is more consistent with the ELCC methodology which assesses wind and solar overall rather than individually.

MRP also observes that over 47,000 of the RA MWs are 20 MW and over, and only 4,600 MW are less than 20 MW. Additionally, the majority of this 4,600 MW are solar or demand response which will use ELCC. Therefore, a policy that groups under 20 MW resources together and primarily uses NERC/GADs data may be a reasonable plan.

Finally, MRP understands the challenges in getting outage data and asks that the CAISO make public the outage rates by resource types for shown RA resources as an interim step to a broader analysis of outage rates for all resources.

RA Product

MRP strongly supports the RA product and must-offer to be linked to NQC. It does not make sense for a generator to only sell and be paid for its UCAP, when the CAISO must have all the associated NQC offered into the market in order to access its full capability.

Planned outages

MRP believes a high priority of this initiative should be to fix the planned outage process so that absent emergency or significantly changes system conditions, generators are able to confirm their planned outages well in advance of the RA month. The current process provides too little certainty and time – even for planned outages sought months in advance. It is critical to generators to be able to plan extended outages in advance and assure these outages are approved without being modified by the CAISO as the outages approach. There should be certainty for those who plan in advance on a “first approved

last modified” basis. Changing dates for extended outages are costly and impactful to generators. MRP suggest a separate expedited stakeholder process be established to clearly define rules going forward.

Imports

The CAISO has demonstrated that rule changes are necessary to the import RA construct in order to maintain system reliability. Specifically, the CAISO has concerns that there is system reliability risk if there is not a physical resource supporting the import RA product. Middle River Power (“MRP”) therefore strongly supports the CAISO proactively addressing any risks to reliability by modifying the requirements for import RA such that they demonstrate physical supply is behind each RA contract. There should be consistent rules for both in-state and out-of-state generators to avoid double counting and speculative supply. It is entirely possible that resources outside the CAISO are being double counted by multiple BAAs and that during WECC-wide emergency conditions that imports will not be as available due to recall by their host BAA. Further, several planned facility shutdowns across the west may exacerbate these conditions. The CAISO should prioritize setting up a process during the month-ahead RA showing that validates that physical resources and firm transmission exist to support import RA showings.

Similarly, the CAISO has demonstrated a need for a 15-minute, real-time, and 24/7 must-offer obligations. The increase in renewable energy has caused a significant amount of uncertainty between day-ahead and real-time, as well as unexpected needs across the day. The CAISO must be able to balance the grid using RA resources only and this is made significantly harder by real-time block hourly bidding or even worse, non-availability, from RA imports. Internal generators also have a tariff requirement to offer 24/7 if available and are not able to submit block hourly bids in real-time, and therefore this proposal would bring imports on par with internal RA resources.

3. Flexible Resource Adequacy

MRP believes the CAISO is on the right track for Flexible RA and proposes a variation for CAISO’s consideration. At a high level MRP agrees that the CAISO must have flexibility for uncertain capacity needs and predictable ramping. The CAISO should establish two requirements and resource qualifications based on the needs of the system and the day-ahead market. Currently the day-ahead market does not have a flexible uncertainty product and it is reasonable for the CAISO to want to ensure sufficient short-start resources are offering into the real-time market to accommodate this gap. The day-ahead and real-time markets should be designed to ensure predictable ramping needs are met using both long-start and short-start resources. MRP envisions that once the day-ahead enhancement initiative develops a day-ahead flexibility product, the CAISO may no longer need a specific flexible RA product to accommodate uncertainty. In summary:

- A. Predictable ramping can be met by both long-start and short-start resources and have their capability assessed similar to today.
- B. Uncertainty can only be met by resources that can start in the real-time market, and therefore a the CAISO should implement a day-ahead flexibility product that accommodates fast and long start units. Since the products offer different benefits to the system a differentiation between the products is necessary. The CAISO

should consider implementation of a fast start tariff to assure critical reliability needs are established. .

MRP supports the market incenting resources to economically offer rather than continuing RAAIM solely for flexible RA. Additionally, MRP does not support solar and wind receiving an EFC. The intent of the flexibility program is to integrate renewables and while it is beneficial for these resources to economically offer and potentially curtail, it does not make sense for them to get a capacity credit for doing so.

4. Local Resource Adequacy

MRP supports the CAISO considering availability limitations in local areas and basing the local assessment of energy needs rather than solely peak capacity needs.

5. Backstop Capacity Procurement Provisions

The CPUC is considering using the soft offer bid cap in the multi-year RA procurement mechanism. The proposed framework would not permit a CPE to procure RA above the CPM soft offer bid cap. If bid prices were received above the soft-offer cap, which given the current market supply and demand balance they likely will be, this will force suppliers and load serving entities into the CAISO backstop procurement market. MRP believes the CAISO must establish LSE-specific backstop requirements and impose a high soft-offer cap in order to prevent both leaning and the backstop becoming the primary mechanism for LSEs to procure RA capacity. This will encourage efficient bilateral procurement.

MRP supports the CAISO's proposal for a portfolio analysis and looks forward to the CAISO providing additional technical and timing details in the next draft.

MRP looks forward to continuing to work with the California ISO on this important initiative.