



Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements working group on June 10, 2020. The stakeholder call 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 **June 24, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization’s comments on the following issues and questions.

1. Production Simulation: Determining UCAP Needs and Portfolio Assessment

Please provide your organization’s feedback on the Production simulation: Determining UCAP needs and portfolio assessment topic as described in slides 4-15. Please explain your rationale and include examples if applicable.

The CAISO’s proposal to use PLEXOS, the modeling tool that the CAISO uses for its Summer Load and Resources Assessment, to assess UCAP needs, appears reasonable. MRP looks forward to the CAISO fleshing out and presenting the details of its use.

2. Transitioning to UCAP Paradigm

Please provide your organization’s feedback on the transitioning to UCAP paradigm topic as described in slides 16-19. Please explain your rationale and include examples if applicable.

MRP supports the CAISO creating a new term (“Deliverable Qualifying Capacity”), which better describes the RA capacity product that remains following the CAISO’s deliverability analysis.

MRP does not support applying the term “Net Qualifying Capacity” to the capacity value determined by applying the CAISO’s non-availability calculation to “Deliverable

Qualifying Capacity”. First, the term “Net Qualifying Capacity” never really described the product to which it applied (“Deliverable Qualifying Capacity” does a much better job of describing what the term really means). Second, it is not clear that using the term “NQC” to mean “UCAP” will avoid having to modify RA contracts or other regulatory materials, given that, as the CAISO envisions, suppliers will still be obligated to offer to the CAISO’s energy and ancillary service markets at the “DQC” value.

MRP urges the CAISO to develop a term for the UCAP quantity that actually describes what the product is, rather than use a previously-used term that did not really describe the capacity product to which it applied.

3. Unforced Capacity Evaluations

Please provide your organization’s feedback on the unforced capacity evaluations topic as described in slides 20-59. Please explain your rationale and include examples if applicable.

UCAP exclusions

MRP appreciates the CAISO’s willingness to “develop a process to exclude certain outages caused by events outside of management control and outside of normal utility operations that directly affect generators”. (June 10 presentation at slide 26).

MRP strongly opposes the CAISO’s proposal to not provide exemptions based on existing work categories. (*Id.*)

For example, the CAISO has proposed that generator unavailability due to transmission outages outside of the generator owner’s control **would** count against the generating unit’s UCAP value. MRP opposes this. Rules developed for market-based systems should provide incentives for market participants to take certain actions for the overall benefit of the market. But how should a generator respond to a reduction in their UCAP value due to transmission outages? Build their own transmission? Take legal action against the transmission owner? Penalizing a generator for transmission unavailability would be an action that lies completely outside of any rational cost-causation or incentive structure. If the CAISO wants to encourage transmission availability to support generator availability, it should sanction transmission owners, not generators, for transmission unavailability.

Another area in which it is irrational to penalize a generator for non-availability outside of its control is in fuel unavailability *related to the fuel supply system*. While it would be rational to penalize a generator for that *generator’s failure* to secure fuel supplies, it would make no sense to penalize a generator for *the failure of the fuel system to be able to deliver fuel to the generator*. Again, what action does the CAISO expect the generator to take when fuel is unavailable due to the failure of the fuel supply system? Force the fuel supplier to upgrade its system to mitigate the possibility of non-delivery? Construct a second source of fuel?

The CAISO’s proposal to penalize gas-fired generators’ UCAP for fuel insufficiency outside the generators’ control is also inconsistent with the CAISO’s proposal to not penalize hydro generation for water insufficiency.

For these reasons, MRP strongly opposes the CAISO's proposal to not exempt outages in certain "nature of work" categories from the UCAP calculations. While MRP appreciates the CAISO's willingness to consider other exclusions, MRP strongly urges the CAISO to include certain "nature of work" categories in those exclusions.

UCAP Calculation

The CAISO's proposal to use three years of availability history weighted at 45%-35%-20% is an improvement over the prior proposal. It still fails to weight more recent performance – especially improved performance - sufficiently heavily. For example, if a resource owner undertook significant maintenance that dramatically improves a generator's availability – which is exactly the kind of action that MRP believes the CAISO desires – it would take some time for that improved availability to be fully reflected in the generator's UCAP value. This lag may discourage what MRP believes the CAISO seeks, namely, creating incentives to maintain or support resource availability.

- a. Please provide your organization's feedback on the UCAP methodology: Seasonal availability factors topic as described in slides 27-46. Please explain your rationale and include examples if applicable.

MRP remains concerned about the mismatch between the 24x7 obligation to offer that attaches to RA capacity and assessing non-availability in just 20% of hours. MRP understands that the CAISO is trying to strengthen the incentives for generating units to be available when the hours where the operational needs of the grid are most significant. However, this philosophy does not align with continuing to use ELCC-based UCAP values for wind and solar resources,¹ which credits these resources for availability in *all* hours (albeit proportionally to the hourly demand), not just in the tightest 20% of supply cushion hours.

- b. Please provide your organization's feedback on the UCAP methodologies for non-conventional generators topic as described in slides 47-59. Please explain your rationale and include examples if applicable.

As noted above, the CAISO's proposed use of ELCC to set capacity values for wind and solar resources does not align with using a relatively small subset of operationally challenging hours over which to assess availability performance.

MRP supports the CAISO exploring the use of a battery energy storage system's state of charge to verify its availability.²

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Enhancements working group discussion.

¹ June 10 Presentation at slides 53-54.

² June 10 Presentation at slide 48.

MRP understands and appreciates the CAISO's desire to align a resource's capacity value with its operational performance.

MRP remains very concerned about how RA market participants will manage UCAP risk (i.e., the risk associated with changing RA capacity values) (1) while moving to multi-year forward obligations for all RA products, a paradigm which MRP understands the CAISO desires, and (2) without having a centralized capacity market in which suppliers can easily transact around changes in their generators' UCAP values. The reliability footprints that have implemented UCAP paradigms have done so within larger procurement paradigms in which (1) and (2) above have already been achieved. Moving to UCAP without having these things in place increases the risk of significant disruptions and complications to the RA market. While MRP recognizes the system resource mix has changed, and the current Planning Reserve Margin, which has not been updated or even re-examined since the inception of the RA program, no longer provides the same level of reliability assurance, and while MRP does not reflexively oppose the goals of implementing a UCAP paradigm, MRP cannot yet support moving to a UCAP paradigm without having in place all the other structures that support that paradigm.