



## 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](mailto:initiativecomments@caiso.com).

Submitted by	Organization	Date Submitted
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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.

Thank you for the opportunity to comment. MSCG appreciates the CAISO considering market participant feedback throughout this process.

#### 4.1.2 Specification of RA Import Resource ID

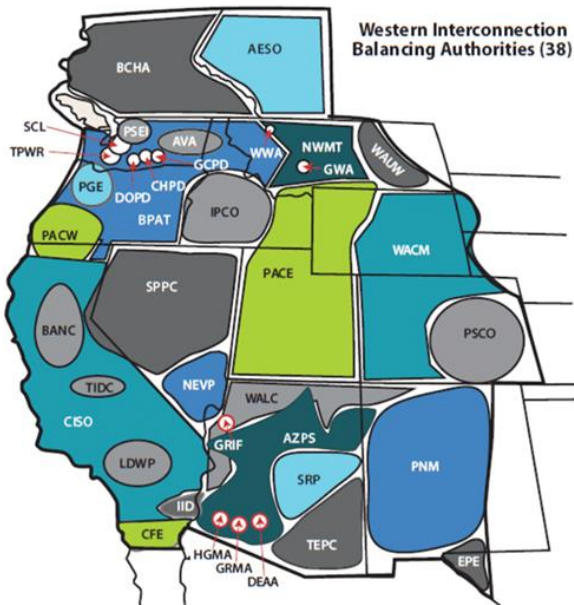
It is MSCG’s position that requiring an advance designation of either specific resources or the source Balancing Area (“BA”) for RA imports will create harmful unintended consequences. Limiting sources in such a way will result in a decrease in liquidity for import RA products, decrease the overall reliability of the product, and inevitably raise the price for load serving entities. The flexibility to deliver energy from multiple resources across multiple source balancing authorities is inherently more reliable than tying the capacity to a single unit-contingent resource or BA.

On the stakeholder conference call on January 23<sup>rd</sup>, a discussion took place regarding listing a balancing authority with multiple units as the source for import RA products rather

than a resource specific unit. The CAISO seemed to agree that having multiple units in a source BA was inherently more reliable than tying an RA resource to a single unit. MSCG agrees with this conclusion. However, this model is outdated. Many market participants, including MSCG, are not tied to a single utility balancing authority. In contrast, MSCG has contracts with multiple generators located across multiple balancing authorities. By the same argument, having multiple generators in multiple BAs backstopping an RA obligation is inherently more reliable than having to designate just a single resource or a single BA. In fact, not allowing this is discriminatory in some ways. It is not a level playing field and certainly no more reliable to allow sole marketers for the surplus output of a single utility to rely on multiple units within a BA to backstop their RA import obligations, and not allow market participants such as MSCG that contract for surplus output from multiple BAs the same treatment.

If CAISO ultimately determines specified resources or Source BAs need to be identified on RA imports, MSCG believes import RA rules should allow the flexibility to list multiple potential source BAs tied to the resource ID. The resources or BAs backstopping the RA obligations should be identified no earlier than the monthly RA supply plan timeline. Requiring more stringent timing or identification of units will ultimately harm liquidity and impact prices at a time that load serving entities are under pressure to meet their RA obligations. MSCG also suggests the CAISO include a substitution provision that will enable replacing the source in both the day ahead and real-time tagging windows. This will make delivery on the RA obligation more reliable since market participants will be able to move energy around to avoid outages to make sure they can deliver on their RA obligations.

Below is a diagram of the many BAs within WECC. To reiterate, it is MSCG’s position that being able to list multiple BAs to backstop an RA resource is inherently more reliable and will increase liquidity for buyers of import RA.



Lastly, MSCG would like to point out that the discussion of what is backstopping an import for serving network load requirements is not dissimilar to a similar topic reviewed at FERC. Pursuant to the series of 890 orders, FERC has determined that (i) both specific unit contingent resources or market-supply contracts are acceptable forms of Resource Designation for serving network load and additionally, (ii) market-supply contracts need not be sourced from a single balancing authority.

#### 4.1.3 Bidding Rules and Must Offer Obligations for RA Imports

MSCG has no issue with the proposed real-time bidding requirements nor the expansion of must offer obligations to 24x7. A 24x7 must offer obligation enhances reliability, however could be problematic if coupled with resource or Source BA specification. Non-specified resources at the interties would retain maximum flexibility to respond with shorter run dispatches across multiple start-ups, whereas specification could limit availability and harm reliability.

MSCG would also point out that expansion of the must offer requirement to a real-time obligation for RA imports alters the nature of the product and could have the effect of raising RA prices for load serving entities. This is because under the proposed real-time bidding rule, the seller of import RA will now have to hold that resource right up through real-time for the CAISO's use whereas today if CAISO determines it is not needed in Day Ahead or RUC market, the market participant can sell the output in the real-time market elsewhere. While a real-time bidding requirement may offer some additional reliability benefits for the uncertainty that can occur between close of Day Ahead/RUC markets and start of real-time markets, MSCG would like to point out that the additional reliability may come at an increased cost to load serving entities.

Finally, MSCG strongly opposes modification of the bidding and scheduling rules to 15-minute bidding granularity. This will result in decreased liquidity and an increase in the cost to procure RA, as well as create serious seams issues between BAs that continue to reserve transmission and dispatch interchange in the hour-ahead timeframe. Significant amounts of capacity remain available in the hourly block dispatch markets, and it would be counterproductive to disqualify this capacity with a 15-minute dispatch requirement. It is also unclear how a 15-minute bidding requirement would work with self-scheduled import RA resources. On the January 23<sup>rd</sup> conference call, CAISO was clear that the ability to self-schedule import RA would not go away, yet did not offer guidance how that ability would coexist with the requirement to bid every 15 minutes. Many self-schedule RA imports are backed by hourly block imports. By introducing a 15-minute bidding requirement, CAISO will effectively disqualify hourly block imports and with it a large portion of self-scheduled RA imports. Again, this will result in reduced liquidity for import RA procurement and an increase in prices for load serving entities.

**2. RAIM 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.
  
- b. Please provide your organization's feedback on the RAIM Enhancements topic. Please explain your rationale and include examples if applicable.
  - i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

**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.

**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.

**Additional comments**

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

Many of the proposed changes for import RA have the potential to significantly alter the nature of this product. MSCG requests the CAISO make clear when these proposed changes will take effect if they are enacted, so parties contracting for these products can appropriately take these changes into account.