



NCPA Comments

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fourth revised straw proposal that was published on March 17, 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. Submissions are requested by close of business on **April 14, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the RA Enhancements fourth revised straw proposal:

- Support
 Support w/ caveats
 Oppose
 Oppose w/ caveats
 No position

NCPA supports certain elements presented in the fourth Revised Straw Proposal with caveats, subject to further consideration of NCPA's comments provided herein.

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.

- a. Please provide your organization's feedback on the System RA Showings and Sufficiency Testing topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.

Portfolio Assessment

NCPA has no comments at this time regarding the methodology CAISO proposes to use to perform the Portfolio Assessment, but due to the fact that the Portfolio Assessment will be focused on evaluating the effectiveness of the entire shown RA fleet for a specific monthly period, to the extent CAISO elects to engage in backstop procurement as a result of its review, NCPA believes such backstop procurement costs should be allocated to all Scheduling Coordinators based on the Scheduling Coordinators' proportionate share of Load.

NCPA agrees that it is not feasible or efficient at this time to develop and implement individual LSE load profiles to evaluate how a specific LSE's RA portfolio contributed to the collective deficiency.

- b. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Option 1 (Include Planned Outage Planning in Procurement Requirements)

Under Option 1, CAISO should retain a level of discretion to approve Planned Outage requests submitted during the period of June 1 through October 31, to account for unique situations that may otherwise make it impractical for a resource owner to schedule Planned Outages during off-peak months. While CAISO's data presented at Figure 2 in the fourth Revised Straw Proposal support that it is the general industry practice to schedule planned outages outside of peak months, it still demonstrates that a significant number of planned outages do occur in peak months, and it does not support a policy of not allowing planned outage at all during peak months. Plants can break down at any time of year, and non-routine maintenance activities are sometimes needed in the summer; CAISO must therefore recognize that sometimes it will be necessary for outages to be taken during peak months, and that it should retain discretion to approve them where necessary.

For example, when performing preventive planned maintenance, resource owners may rely on services performed by specialized contractors and/or support staff. The availability of such specialized support may be limited due to reasons that are out of the control of the resource owner. If preventive maintenance needs to be performed to maintain the reliability of a generating resource, but the maintenance cannot be performed within the off-peak months due to lack of availability of specialized support, the CAISO should retain a level of discretion to approve planned maintenance requests during on-peak periods (using its professional judgement, acting as the grid operator). This approach will allow for proper maintenance to be performed. NCPA presents this as a real-world example of why CAISO operators must have some discretion to exercise operating judgement.

Planned Outage Reserve Margin

On page 16 of the fourth Revised Straw Proposal, CAISO states that “if on a given day the approved planned outages for RA resources exceeds the planned outage reserve margin, then the CAISO will not allow any additional planned outages for that day.” In many situations, planned maintenance requires outages that can last multiple days or weeks in duration. The statement cited above seems to suggest that a requested planned outage that exceeds the planned outage reserve margin in only a single day may be rejected in its totality. Is this a correct understanding of the proposal, or will CAISO evaluate outage requests based on multiple factors, including the total duration of the requested outage? For example, if on a single day when the planned outage reserve margin is exceeded as a result of two competing outage requests, where one of the outages requested is scheduled for a single day, and the other outage is scheduled for a total duration of one month, will the longer term outage be given priority over the shorter term outage, or will the entire longer term outage be at risk? In this scenario, it is very likely that rescheduling the month long outage would be much more difficult than rescheduling the single day outage.

While NCPA supports creating rules that encourage resource owners to submit their known outages in advance (the “first in last out approach”), in the event of the type of conflict described above, the CAISO operators should be allowed to exercise a reasonable level of discretion to make limited exceptions based on their professional judgement. For example, while the planned outage reserve margin may be impacted for a single day, it may still be in the best interest for long term reliability to allow both resources to take a planned outage to perform preventive maintenance if the CAISO operator determines, based on their professional judgement, that approving both outages for the day in question will not result in an immediate threat to system reliability. NCPA believes CAISO must retain sufficient operational discretion as part of its approval process to enable CAISO to consider these types of real-life circumstances.

General Comment

Either Option 1 or Option 2, as proposed in the fourth Revised Straw Proposal, must take into consideration prior concerns expressed by stakeholders regarding so-called “planned-to-forced” outages. Please refer to the PRR 1122 appeal for more information. NCPA believes that CAISO needs to account for the fact that certain Planned outages with a Plant Trouble nature of work, may be submitted as “Planned” due to the timing of discovering the issue (8 days or more in advance), but which poses a predictable elevated risk to the reliability of the resource. CAISO should consider treating any Planned Plant Trouble outages as being mandatory outages, and either approve such with (or without) impacts on EFORD. Otherwise, CAISO may encourage resource operators to schedule such outages within the T+7 timeframe to enable required maintenance to be performed.

In other words, NCPA can support a reasonable framework for planned outages, but opposes the inclusion of categorical restrictions on operator discretion that would prevent them from using their professional judgment when legitimate plant trouble needs arise that do not precisely fit the framework.

- i. Please provide your organization's feedback on when bids should be submitted and how and when they could be changed under Option 2: CAISO procures all planned outage substitution capacity, and what are the implications of doing so under any proposed option.

No comment at this time.

- ii. Please provide your organization's feedback on whether or not the Planned Outage Substitution Capacity Bulletin Board is necessary and, if so, why given the effort to develop and maintain.

NCPA supports retention of the Planned Outage Substitution Capacity Bulletin Board. While use of this tool may be voluntary (pending how planned maintenance scheduling is ultimately handled), this tool can still increase transparency regarding what RA capacity may be available for sale in the bilateral market. As further described in NCPA's comments below at Section 4(d), if the CAISO insists on proceeding with the UCAP Deficiency Tool, such a bulletin could play a valuable role. Prior to an LSE receiving incentive payments for excess capacity showings, that LSE should be required to prove that they in fact offered the excess capacity for sale in the bilateral market, for example, by posting it on a capacity bulletin board.

More importantly in the context of coordinated planned maintenance scheduling, a calendar including daily MW values for UCAP headroom in excess of system RA requirements is necessary in order to assist generator operators with determining the likelihood that their outages will be approved (or not). NCPA believes this type of tool would provide significant benefits, and would result in a reduced number of outage conflicts that the CAISO would otherwise have to resolve.

- c. Please provide your organization's feedback on the RA Import Provisions topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

General Comments

On page 23 of the fourth Revised Straw Proposal, CAISO states that it "is very concerned that continuing to allow Non-Resource Specific imports to qualify for RA without any source-specification may create the potential that the underlying resource may be double counted and unable to serve CAISO reliability needs." Based on this concern, CAISO is proposing to implement a number of new

requirements focused on validating that such double counting does not occur. NCPA believes that any new requirements that may be imposed on Non-Resource Specific imports should not be more onerous than similar requirements enforced on EIM participants, including requirements to comply with the resource sufficiency test.

NCPA supports inclusion of a “specified aggregation or system of resources” within any definition of a resource specific resource.

Load-Following Metered Subsystem Requirements

NCPA currently operates as a Load-Following Metered Subsystem (LF-MSS) in the CAISO market. The requirements associated with operating as an LF-MSS are set forth the MSSA Agreement and the Tariff. As an LF-MSS, NCPA is contractually required to balance its demand and supply in real-time during each 5-minute interval. If an LF-MSS fails to provide sufficient supply to meet its demand requirements in real-time, the LF-MSS is subject to significant deviation penalties. To perform its duties as a LF-MSS, NCPA is required to maintain sufficient capacity in real-time that it can move up or down to balance its portfolio. Because NCPA is responsible for maintaining its own supply balance and load following, it reduces the CAISO’s collective need for real time access to capacity. This unique operating practice has been historically recognized by CAISO in the context of Resource Adequacy, and how must offer and bidding requirements may (or may not) apply to a LF-MSS.

In the CAISO’s second Revised Straw Proposal¹, the CAISO confirmed that “CAISO is not proposing changes to how load-following metered subsystems are treated under the existing tariff” in the context of must offer obligations. In the CAISO Tariff, the Resource Adequacy Resources, including RA supplied from imports, claimed by a LF-MSS to meet its Resource Adequacy requirements are exempt from the must offer obligations (and associated bidding requirements). A LF-MSS requires available capacity to follow its load up and down; therefore, since the inception of the RA program, CAISO has exempted RA resources claimed by a LF-MSS from the must-offer obligation. This exemption is necessary and should continue for all LF-MSS resources shown as RA in the LF-MSS portfolio going forward.

Due to the unique operating requirements of a LF-MSS, NCPA believes that any RA import attestation requirements that may apply to a LF-MSS be limited, and only require the LF-MSS to attest that the import RA claimed by the LF-MSS is encumbered only by the LF-MSS, and therefore confirming that such RA capacity is not being double counted for the purposes of CAISO’s verification. NCPA believes this treatment is appropriate because a LF-MSS is already contractually required to balance its supply and demand in real-time pursuant to the MSS Agreement and Tariff, and is subject to penalties if it fails to do so.

¹ Page 33 of the Resource Adequacy Enhancements – Second Revised Straw Proposal

2. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.2. Please explain your rationale and include examples if applicable.

Please see NCPA's comments in Section 1.

- a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.2.1. Please explain your rationale and include examples if applicable.

Please see NCPA's comments in Section 1.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.2.2. Please explain your rationale and include examples if applicable.

No comment at this time.

- c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.2.3. 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.

No comment at this time.

- d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.2.4. Please explain your rationale and include examples if applicable.

UCAP Deficiency Tool

NCPA strongly opposes implementation of the UCAP deficiency tool. NCPA believes that the UCAP deficiency tool will incent LSEs that have amounts of RA capacity in their portfolio that is excess to their respective need, to withhold such capacity from the bilateral market. Based on the current UCAP deficiency tool proposal, an LSE that chooses to show an amount of RA capacity in their monthly demonstration that exceeds its requirement may receive incentive payments through the UCAP deficiency tool. The CAISO has previously stated its belief that it would be unlikely for an LSE to engage in such activity because an LSE would more likely elect to sell its excess RA in the bilateral market in exchange for a

known revenue stream, rather than withhold such excess volumes from the bilateral market in the hope that the LSE may earn revenues through the UCAP deficiency tool. This current belief does not fully consider other administratively enforced mechanisms that are currently in place, through which an LSE may receive direct compensation for amounts of excess RA not otherwise sold bilaterally.

For example, certain LSEs are able to collect costs associated with “stranded resources” through the Power Cost Indifference Adjustment charge mechanism approved by the CPUC. As further discussed in PG&E’s prepared testimony as part of the 2020 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation report², when determining what stranded resource costs it may incur due to unsold RA capacity in its portfolio, PG&E forecasts that 10 percent of available surplus capacity will remain unsold in its portfolio. In such a case, PG&E would be able to collect its costs for capacity associated with those allegedly stranded resources through the PCIA charge, at which point PG&E would be made whole. Any revenues PG&E then receives through the proposed UCAP deficiency tool would be in addition to complete recovery of those costs. The opportunity to collect a double recovery could easily act as an incentive not to sell such excess amounts of RA capacity to other LSEs through the bilateral market.

NCPA does not challenge the right of any LSE to manage its RA capacity portfolio at its sole determination, but if an LSE is not willing to sell excess RA capacity because it is able to recover its costs through other administrative mechanisms, why should it be eligible to receive additional compensation through the UCAP deficiency tool as an “incentive” to show more RA capacity to the CAISO?

NCPA has experienced that a dearth of availability of capacity in the market is particularly pronounced when it is seeking relatively small amounts of capacity for smaller entities. NCPA believes that there may be little incentive for an LSE to contract for small amounts (less than the full plant) with smaller entities when it can simply wait for recovery elsewhere.

The CAISO has not fully considered the range of other compensation that LSEs may receive for capacity shown excess to their needs, nor does it impose any sort of requirement that LSEs with excess capacity demonstrate that they have offered that excess to others, before reaping a UCAP deficiency reward. Unless the CAISO has the ability to effectively monitor this type of activity, the CAISO should

² Prepared Testimony of Pacific Gas & Electric Company, Ex. PG&E-1, at 9-3 & n. 10, *2020 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation*, No. A1906001 (Cal. Pub. Serv. Comm’n June 3, 2018), <http://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A1906001/2093/298506885.pdf>.

not implement incentive mechanisms that do not fully consider all revenue streams an LSE may receive or address the potential for deliberately withholding excess capacity.

For example, if the CAISO enables an LSE that shows excess RA capacity to be eligible to receive an incentive payment, CAISO should, as a bare minimum requirement to protect interests of ratepayers, require the LSE to post its excess RA capacity for sale on a CAISO administered surplus capacity bulletin board before it is eligible to receive incentive payments through the UCAP Deficiency Tool. NCPA believes additional verification should be required as best practice, but this type of requirement will at a minimum require the LSE to demonstrate an effort to sell excess capacity rather than being rewarded for not offering such excess capacity available for sale to other LSEs.

3. 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.

Many of the RA Import Provisions CAISO has proposed could result in significant changes to how import RA is measured and used. Some of these requirements may vary from what existing import RA contracts require sellers to do, and renegotiating such contracts may not always be possible. Accordingly, CAISO should also implement grandfathering provisions to protect existing commitments and investment for the term of the existing contract. Grandfathering of existing contracts is a common practice used to avoid stranding investments, and is necessary to ensure that market participants who have made long term investments in the interest of supporting grid reliability are not "left holding the bag" because the underlying RA rules have been modified once again. These investments must be protected, and grandfathering has been an effective tool for such purposes.

4. 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.

NCPA supports seeking approval from CAISO Board only.

Additional comments

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

No additional comments at this time.