



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
Tony Zimmer 916-781-4229 tony.zimmer@ncpa.com	Northern California Power Agency (NCPA)	July 30, 2019

Please provide your organization’s comments on the following issues and questions. Please explain your rationale and include examples if applicable.

1. System Resource Adequacy

- Please provide your organization’s feedback on the *Determining System RA Requirements* as described in *Section 5.1.1*.

No comments at this time.

- Please provide your organization’s feedback on the *Forced Outage Rates and RA Capacity Counting* as described in *Section 5.1.2*.

CAISO proposes to calculate UCAP for each resource by multiplying the resource’s NQC by its EFOR. In performing this calculation, CAISO should use the NQC calculated by the LRA rather than a value CAISO calculates itself. CAISO has claimed that it does not intend to disturb the jurisdictional balance between CAISO and the LRAs, and that NQC will still have meaning. LRAs should therefore maintain the ability to calculate their own NQC values and provide such information to the CAISO to be used for calculating UCAP.

CAISO has yet to explain how it proposes to calculate UCAP for certain types of unconventional resources that supply RA capacity (e.g., CPUC's CAM resources, demand response resources, LD contracts, energy efficiency resources, etc). Many of these are one-off types of resources currently defined by individual LRAs. It may be difficult to develop a common methodology for all of them. For those types of resources, CAISO should allow the LRA to continue utilizing such capacity as credit resources in support of their RA system RA requirements (as is done today).

NCPA supports the proposal to use OMS data to calculate outage rates for the UCAP. NCPA also supports the specific natures of work that have been identified as being excluded from the outage calculation. NCPA appreciates CAISO's discussion of other types of outages that might need to be excluded, such as outages caused by insufficient fuel supply. NCPA agrees that excluding resource outages caused by problems in the gas delivery system should be excluded where they prevent gas that has been purchased from being delivered to the resource. NCPA further agrees that an outage due to fuel insufficiency where a resource has failed to purchase available gas should not be excluded.

- Please provide your organization's feedback on the *System RA Showings and Sufficiency Testing* as described in *Section 5.1.3*.

NCPA supports the proposal to procure additional capacity only when the system assessment is deficient, rather than when an individual LSE is deficient. This methodology is analogous to how backstop procurement works under the current Tariff, will further support grid reliability at least cost, and remains just and reasonable.

- Please provide your organization's feedback on the *Must Offer Obligation and Bid Insertion Modifications* as described in *Section 5.1.4*.

CAISO must clarify that consistent with current practices, and CAISO tariff section 40.6, any Resource Adequacy Resources that are claimed as RA capacity by a load-following metered subsystem (LF-MSS) will continue to be exempt from the must offer obligation. A LF-MSS such as NCPA is obligated by contract to follow its own load in real time, and to accomplish such obligation must maintain sufficient capacity to address movements in load or generation from the day-ahead market timeframe up to and through each 5-min. dispatch interval. When a LF-MSS fails to accurately follow its load within a narrow deviation band, it faces heavy financial penalties, discouraging it from leaning on the CAISO system. 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, as is current reflected in CAISO tariff Section 40.6. This exemption is just and reasonable, and should continue for all LF-MSS resources shown for RA in the LF-MSS portfolio going forward. This treatment is critical to enable a LF-MSS to comply with its contractual obligations. If a LF-MSS is

required to commit its RA capacity to the CAISO market via the must offer obligation, such resources will not be available to the LF-MSS in real-time to perform load-following. This treatment is currently implemented, and NCPA strongly believes that such exemption remains just and reasonable.

CAISO should not require a must offer requirement at a resource's NQC; instead the must offer requirement should be set at the resource's UCAP. For example, if CAISO has determined that it requires 100 MW of UCAP to maintain reliable operations of the CAISO grid, if a RA resource has a UCAP rating of 100 MW, and a NQC rating of 120 MW, if the resource provides 100 MW of its capacity to the CAISO (via the must offer obligation), that should be sufficient for CAISO to reliably operate the grid. Requiring the unit to make all 120 MW available will result in increased costs for ratepayers, when such additional capacity has been determined to not be needed to support reliability.

- Please provide your organization's feedback on the *Planned Outage Process Enhancements* as described in *Section 5.1.5*.

When adding details to the proposal to require substitute capacity to be "comparable" to capacity on a planned outage, CAISO should avoid defining comparability in a way that would unduly constrain the amount of capacity that is available for substitution. For example, if "comparability" for a local RA resource requires the substitute capacity to be located at the same bus and have the same flexibility characteristics, in many cases there might not be any capacity available for substitution.

- Please provide your organization's feedback on the *RA Import Provisions* as described as described in *Section 5.1.6*.

NCPA agrees that the potential for withholding import capacity that could be used for RA imports is a material concern. At the same time, as CAISO recognizes, import capacity is supposed to benefit LSEs who paid (and continue to pay) for the grid to be built, and should reflect their contributions on roughly a load ratio share basis (while also considering pre-existing RA commitments and existing transmission contracts).

The proposal to auction excess import capacity prior to the allocation to LSEs creates unnecessary risk of large entities exercising market power. Large entities with significant financial resources will be able to outbid smaller entities for import capacity. The increased uncertainty for smaller entities as to whether they can obtain import capacity, how much they can obtain and how much it will cost will then harm the ability of LSEs to engage in long-term resource planning, making them hesitant to enter into longer term contracts with resources outside the CAISO BAA. The CAISO proposal should not discourage smaller entities from entering longer-term RA contracts with external resources.

NCPA suggests that the problem can be addressed by holding the auction at a different stage in the process. If an LSE has an import allocation that it does not use in its monthly RA showing, that allocation should then be returned to the CAISO, and be auctioned at that time.

- Please provide your organization's feedback on the *Maximum Import Capability Provisions* as described in *Section 5.1.7*.

No comments at this time.

In summary, please provide your organization's position on System Resource Adequacy (Section 5.1). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Generally support with caveats, subject to consideration of NCPA's comments stated above.

2. Flexible Resource Adequacy

- Please provide your organization's feedback on the *Identifying Flexible Capacity Needs and Requirements* as described in *Section 5.2.1*.

No comments at this time.

- Please provide your organization's feedback on the *Identifying Flexible RA Requirements* as described in *Section 5.2.2*.

No comments at this time.

- Please provide your organization's feedback on the *Setting Flex RA Requirements* as described in *Section 5.2.3*.

No comments at this time.

- Please provide your organization's feedback on the *Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility* as described in *Section 5.2.4*.

No comments at this time.

- Please provide your organization's feedback on the *Flexible RA Allocations, Showings, and Sufficiency Tests* as described in *Section 5.2.5*.

CAISO has indicated that a LF-MSS will not receive an allocation for any forecasted flexible RA capacity needs "attributable to change in load". NCPA appreciates and supports CAISO's recognition that a LF-MSS meets CAISO's

flexible capacity requirements by following its own load in real time within a tightly defined deviation band, subject to significant penalty if it fails to comply with such requirements. NCPA appreciates CAISO's understanding that this treatment should continue, though NCPA believes the wording in CAISO's proposal should be further clarified. When a LF-MSS is performing load following, a LF-MSS's performance is measured based on deviations from the day-ahead market through each 5-min. dispatch interval. As such, a LF-MSS reserves sufficient flexible capacity to follow all changes in its load (either up or down) between its day-ahead award through meter. To accomplish this a LF-MSS is effectively self-providing all of its flexibility needs (attributed to predictable and unpredictable factors) for all changes to its load. If a LF-MSS is unable to adjust its supply portfolio to follow its load ramps, the LF-MSS is penalized based on the measured difference between the day-ahead market and meter; so the LF-MSS must construct a portfolio that is sufficiently flexible to address any changes in load that it may experience. Accordingly, NCPA strongly believes that the load of a LF-MSS should be exempt from all flexible RA requirements attributable to change in load between the day-ahead market and meter.

- Please provide your organization's feedback on the *Flexible RA Must Offer Obligation Modifications* as described in *Section 5.2.6*.

No comments at this time.

In summary, please provide your organization's position on Flexible Resource Adequacy (Section 5.2). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Generally support with caveats, subject to consideration of NCPA's comments stated above.

3. Local Resource Adequacy

- Please provide your organization's feedback on the *Local Capacity Assessments with Availability Limited Resources* as described in *Section 5.3.1*.

No comments at this time.

- Please provide your organization's feedback on the *Meeting Local Capacity Needs with Slow Demand Response* as described in *Section 5.3.2*.

No comments at this time.

In summary, please provide your organization's position on Local Resource Adequacy (Section 5.3). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

No comments at this time.

4. Backstop Capacity Procurement Provisions

- Please provide your organization's feedback on the *Capacity Procurement Mechanism Modifications* as described in *Section 5.4.1*.

No comments at this time.

- Please provide your organization's feedback on the *Reliability Must-Run Modifications* as described in *Section 5.4.2*.

No comments at this time.

- Please provide your organization's feedback on the *UCAP Deficiency Tool* as described in *Section 5.4.3*.

CAISO must consider issues of market power in its RA design. Despite anecdotal reports that a number of entities may have been deficient in their CY 2019 annual RA showings, the CAISO did not find a portfolio deficiency necessitating backstop procurement during the CY 2019 year-ahead review process. This suggests that there is already an issue of RA withholding in the markets, or that certain LSEs may be showing more RA to the CAISO than their requirement may otherwise require.

CAISO must not provide opportunities for the exercise of market power in its tariff. Creating a situation where an LSE that shows less than their UCAP requirement is penalized, when the LSE actively worked to identify and purchase supply, but supply was simply not available (or offered), and the penalties collected are then credited to LSEs that showed more than their requirements, creates an incentive for entities with excess RA capacity to withhold that capacity instead of selling it in the bilateral market. An entity holding such capacity will thus get paid for it without the trouble of expending resources selling it in the market. In particular, if an entity controls a significant share of the excess RA available in the market (especially in a local RA area), that incentive could result in the exercise of market power.

In summary, please provide your organization's position on Backstop Capacity Procurement Provisions (Section 5.4). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

NCPA strongly opposes the UCAP Deficiency Tool for the reasons stated above.

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Revised Straw Proposal.

No additional comments at this time.