

Stakeholder Comments Template

Resource Adequacy Revised Straw Proposal

Submitted by	Organization	Date Submitted
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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*.**

The California Independent System Operator (CAISO) proposes to adopt an unforced capacity (UCAP) requirement “equal to the forecasted peak, plus all other ancillary serv(ice)s and flexible ramping needs, or about 109 percent of the 1:2 year peak load forecast.”¹ Additionally, the CAISO proposes to include an additional factor for observed year ahead forecast error of approximately 2%.²

The CAISO’s proposed UCAP requirement raises a number of questions regarding the data sources for the proposed requirement, whether the requirement reflects lessons learned from implementation of the flexible ramping product, and the methodology for calculating the flexible ramping product. For example:

- Is the information used to determine the UCAP requirement of 109% derived only from 2018 data, or has the CAISO based the forecast on ancillary services, flexible ramping or forecast error data over a longer period of time?
- Has the CAISO looked at trends in the forecasted peak, ancillary services needs and flexible ramping needs over time to determine if the UCAP requirement is consistent or would change as more renewables have come online?
- In 2018, the CAISO made changes to the flexible ramping product to address an error in implementation of the product which had led to under-

¹ Revised Straw Proposal, p. 10.

² Resource Adequacy Enhancements: First Revised Straw Proposal Stakeholder Meeting Presentation, p. 17.

procurement of upward flexible ramping capacity.³ How has the CAISO accounted for this change in the flexible ramping product in its calculation of the UCAP requirement?

- Why is a flexible ramping requirement included as an additional capacity need on top of the forecasted peak when the flexible ramping product addresses ramping within the market and not the need for additional capacity?

The Public Advocates Office recommends that the CAISO provide more detailed information on the historical use of ancillary services and flexible ramping and observed year-ahead forecast error to help guide the development of any UCAP requirement.

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

The Public Advocates Office supports the CAISO’s proposal to calculate forced outage rates seasonally based on three years of historic data and place more weight on recent data. The seasonal calculation of forced outages over the past three years will capture recent trends in forced outages and provide a more realistic valuation of a resources’ availability. Placing greater weight on recent years will also reflect the most recent operation of a resource. This methodology could also incentivize resources to improve their forced outage rates more quickly upon adoption of UCAP valuation, in order to realize greater benefits from reductions in forced outages.

The CAISO should clarify how it proposes to treat forced outages that were registered as planned outages but were subsequently cancelled by the CAISO and became forced outages. Would such an outage be treated simply as a forced outage? Or would the CAISO reflect the resource owner’s actions in trying to schedule the planned outage by decreasing the impact of the planned outage in its calculation?

For purposes of calculating forced outage rates, new resources (other than solar or wind) could initially be valued at their net qualifying capacity (NQC) and could transition into the UCAP valuation applied to existing resources as follows:

- Year 1: NQC
- Year 2: 100% of most recent annual forced outage rate
- Year 3: 50% of most recent annual forced outage rate, 50% on second annual forced outage rate period
- Year 4 (same methodology as other existing resources with 3 years of historical data): 50% weight for the most recent annual forced outage rate, 30% weight on the second annual forced outage rate period, and 20% weight on the third annual forced outage rate period

This transition would incentivize new resources to perform to retain their NQC value.

³ Department of Market Monitoring, 2018 Annual Report on Market Issues and Performance, May 2019, p. 92.

The CAISO should clarify how the UCAP proposal would apply to imports. Imports are not required to identify a specific resource. Accordingly, would the CAISO simply accept the contracted capacity as the UCAP value?

In its example outage analysis, the CAISO assumes that any forced outage lasting over 7 days will change to a planned outage.⁴ The CAISO should clarify that an outage would not automatically switch from forced to planned, but that instead, the resource would need to submit the outage for consideration in the Planned Outage Substitution Process Obligation (POSO) process and would be subject to any substitution requirements. If the resource is not accepted in the POSO or does not produce substitute capacity as required, it would continue to be treated as a forced outage.

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

The CAISO proposes to conduct a portfolio deficiency test using a net load deterministic model using the Integrated Optimal Outage Coordination (IOOC) tool on a monthly basis. However, adopting such a test would essentially adopt a requirement that load-serving entities (LSEs) would not be able to transparently understand and anticipate. If the CAISO adopts a UCAP requirement, then the CAISO should also determine whether LSEs have procured sufficient resources to meet that requirement. It is not clear why additional modeling is required when the UCAP requirement would be based on forecasted load and need for reserves and would already account for forced outages with the POSO process in place to address planned outages. The CAISO itself notes that other Independent System Operators (ISO) or Regional Transmission Operators (RTO) do not require such as assessment.⁵

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

The Public Advocates Office has no comment at this time.

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

The Public Advocates Office supports the changes to the POSO process to facilitate planning for planned outages and procurement of replacement capacity.

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

The Public Advocates Office supports the CAISO’s proposal to include in its tariff, provisions similar to the Commission’s RA requirements for imports. However, discussion during the working group meeting revealed different potential interpretations of the Commission’s RA requirements for imports. The Commission has issued a *Ruling Seeking Comment on Clarification*

⁴ Revised Straw Proposal, p. 18.

⁵ Id., p. 25.

to *RA Import Rules* (Ruling) which will provide further guidance on RA import rules.⁶ In order to avoid confusion regarding import RA procurement, the CAISO should adopt the same rules and interpretations for import RA as the Commission.

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

The Public Advocates Office has no comment 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)**

The Public Advocates Office does not take a position at this time.

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*.**

The Public Advocates Office has no comment at this time.

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

The Public Advocates Office has no comment at this time.

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

The Public Advocates Office has no comment 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*.**

The Public Advocates Office does not support adopting stringent eligibility requirements for resources to count as flexible RA capacity without sufficient justification for the requirement. In particular, the CAISO proposes that a resource must meet the definition of a short start resource to provide uncertainty flexible capacity. However, the CAISO is developing market rules to procure imbalance reserves in its Day-Ahead Market Enhancements stakeholder initiative to award resources in the day-ahead (DA) market to address “uncertainties that materialize between the day-ahead market and real-time market through economic bids.” Since resources would be procured in the DA market, it’s not clear why a stringent short start requirement is necessary for a resource to be eligible to provide uncertainty flexible capacity.

⁶ Ruling, July 3, 2019.

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

The Public Advocates Office has no comment at this time.

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

The Public Advocates Office has no comment 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)**

The Public Advocates Office does not take a position at this time.

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*.**

The Public Advocates Office has no comment 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*.**

The Public Advocates Office has no comment 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)**

The Public Advocates Office does not take a position 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*.**

In its proposal for modifying the Capacity Procurement Mechanism (CPM), the CAISO states that it “will compare all UCAP shown in RA showings to the total requirements for UCAP, and may make additional designations based on that difference.”⁷ The CAISO also proposes to use CPM to address deficiencies based on a different proposed portfolio analysis.⁸ In Section 1 of these comments, the Public Advocates Office raised concerns with implementation of a portfolio deficiency test using a net load deterministic model. Again, it is not clear why the portfolio deficiency test is necessary when the CAISO also proposes to procure resources through the CPM if showings for UCAP are insufficient.

⁷ Revised Straw Proposal, p. 79.

⁸ Id., p. 80.

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

The Public Advocates Office has no comment at this time.

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

The Public Advocates Office has no comment at this time.

- **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*)**

The Public Advocates Office does not take a position at this time.