



Stakeholder Comments Template

Resource Adequacy Enhancements Stakeholder Working Group

Submitted by	Organization	Date Submitted
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In response to the California Independent System Operator's (CAISO) request for stakeholder comments on the RA Enhancements stakeholder working group meeting held on April 8 & 9, 2019, San Diego Gas & Electric (SDG&E) offers the following comments for the CAISO's consideration. SDG&E's comments reflect what we believe are the key principles that any reforms to CAISO's RA construct must address. These key principles are:

- CAISO should run more comprehensive studies to better determine whether there is a near term need.
- Any new capacity need identified through this process should be handled through the IRP, either through the regularly scheduled procurement track or some kind of "emergency procurement track."
- New capacity to meet "emergency/near-term" RA needs should be procured by a central buyer.

1. Unforced capacity concepts

While SDG&E understands CAISO's desire to incorporate unforced outage data to develop an Unforced Capacity (UCAP) value for most resources, SDG&E believes the introduction of UCAP will have significant impact on the bilateral market as well as on existing contracts between load serving entities (LSEs) and generators. Instead, SDG&E has proposed that the CAISO work with the CPUC to update the planning reserve margin (PRM) to better reflect the impact of forced outages on the need for dependable generating capacity. This will minimize disruptions to market participants. So far as SDG&E is aware, the CAISO has not discussed updating the PRM with the CPUC.

SDG&E previously requested that the CAISO use workshops to discuss the percentage of forced outage that is currently incorporated into the CPUC's PRM, as well as into the PRMs of other local regulatory authorities (LRA). The CAISO has not followed up on this request and it is unclear how many forced outages are being included in the various entities' PRMs.

SDG&E previously requested the CAISO provide the state-wide average unforced outage percentage in order to compare the state-wide average to the level of unforced outage percentage incorporated in each planning area's respective PRM. The CAISO was unable to provide this information because it has not yet identified the criteria to calculate the percentage, and it is having difficulty identifying the relevant outages.

Additionally, SDG&E included more detailed questions and proposals in its previously submitted comments. Many of those questions were asked again at the workshop but did not elicit definitive responses. Such responses are needed for SDG&E to gain a better understanding of CAISO's straw proposal.

SDG&E recommends the CAISO provide additional clarity in the next iteration of its paper by providing detailed responses to the questions previously posed by SDG&E.

2. System and Flexible Collective sufficiency assessments

SDG&E does not support the CAISO's proposal to evaluate the ability of shown RA resources to meet system and flexibility needs assuming hourly load forecasts, wind and solar profiles, and forecast hydro production and planned outages, that are *different* from what was assumed for purposes of allocating system and flexibility needs among LSEs. SDG&E understands that there are an infinite number of possible operational conditions that the CAISO may face daily. The RA program, however, is designed to meet a need based on a snapshot in time. When actual operational conditions are significantly different from what was assumed for the snapshot in time, the CAISO has the tariff authority to exceptionally dispatch resources. The CAISO's desire to require LSEs to plan and procure capacity beyond what is required by the snapshot in time analysis, creates a moving target for LSEs. With a moving target, there is no certainty that LSEs will be able to meet their obligations and a high likelihood that attempts to do so will result in higher costs for consumers.

Seeking additional tariff authority to give the CAISO increased authority for backstop procurement for a range of conditions which have a low probability of occurrence, will unreasonably increase costs to customers. The CAISO needs to identify why it would be unable to use its existing tariff authority to manage actual operational conditions closer to the event. SDG&E notes that no matter how much supply is built and placed under contract, the possibility of supply shortages will remain. Ultimately, the CAISO and the CPUC need to decide when the costs of eliminating the possibility of supply shortages exceeds the benefit.

3. Local capacity assessments with availability-limited resources

SDG&E appreciates the information the CAISO has provided with regards to availability-limited resources. SDG&E shares the CAISO's concern that resources may need to have a certain minimum run time in order to support grid reliability needs. However, SDG&E questions the logic of the CAISO's proposal to simply expand the minimum required availability in the current RA criteria for availability-limited resources. Currently, this criteria requires that availability-limited RA resources be capable of operating for four consecutive hours on three consecutive days.

The CAISO noted during the workshop that new resources, particularly energy storage resources, are only building to the four-hour minimum standard. While SDG&E cannot confirm that fact, SDG&E questions whether this issue must be raised more broadly in long term planning stages of new resource procurement, particularly in the CPUC's integrated resource plan proceeding. By establishing consistent rules for resources to qualify throughout the life of the resource, contracting parties would ultimately gain additional surety of their negotiated contracts. Changing rules mid-stream creates additional costs for customers and risks investment in future resources because parties will be reluctant to accept the risks of continually changing supply reliability standards. In the near-term, it is reasonable for the CAISO to assess whether its current fleet of Local resources can meet local reliability needs including energy availability. SDG&E agrees with SCE that the CAISO should perform a study to assess whether a portfolio of resources starting with the least effective and slowest ramping resources in a Local capacity area would meet reliability needs if shown as RA. If that portfolio of resources is unable, then CAISO should move up the ranking until a minimum portfolio is able to meet reliability needs. For the resources that could not cross the threshold, the CAISO should identify those resources so that LSEs are informed when making procurement decisions. This assessment could be performed during the annual LCR stakeholder process.

Additionally, the CAISO can test its proposed methodology on the existing portfolio of Local resources shown as RA to identify any unforeseen issues with its proposed process.