



## Stakeholder Comments Template

### 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **April 14, 2020**.

Submitted by	Organization	Date Submitted
<i>Nuo Tang</i>	<i>SDG&amp;E</i>	<i>April 14, 2020</i>

**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

**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.

SDG&E understands the CAISO is proposing a two tiered sufficiency test. First the CAISO will conduct an individual LSE deficiency assessment. This is similar to the one currently conducted using net qualifying capacity values. This test is a simple check to ensure LSEs are not deficient of the peak UCAP requirement. SDG&E does not oppose this test but does oppose the UCAP construct.

Second, the CAISO proposes to utilize a UCAP deficiency tool to penalize an LSE that is deficient of the UCAP requirement but reward another LSE that may have over shown their UCAP capacity. As noted in previous comments, SDG&E opposes this tool because it may distort and undermine the bilateral market by incentivizing LSEs to withhold surplus capacity. The CAISO has noted previously that system capacity is becoming constrained. Therefore, SDG&E does not believe that the CAISO should create additional opportunities that may create market scarcity.

Lastly, the CAISO proposes to conduct a portfolio deficiency test based on all of the RA resources shown in LSEs' monthly RA showings. This test would attempt to ensure that the shown RA portfolio would be able to serve load under various conditions during all hours of the day. The CAISO proposes to use the same production simulation tool that it uses for the CAISO's Summer Assessment study. If the portfolio fails the assessment, the CAISO would declare a collective deficiency and provide a cure period. If the deficiency remains after the cure period, the CAISO would issue capacity procurement mechanism designations to non-RA resources. Within the study, the CAISO would convert the shown UCAP into NQC values and then apply resource specific forced outage rates based on resource history.

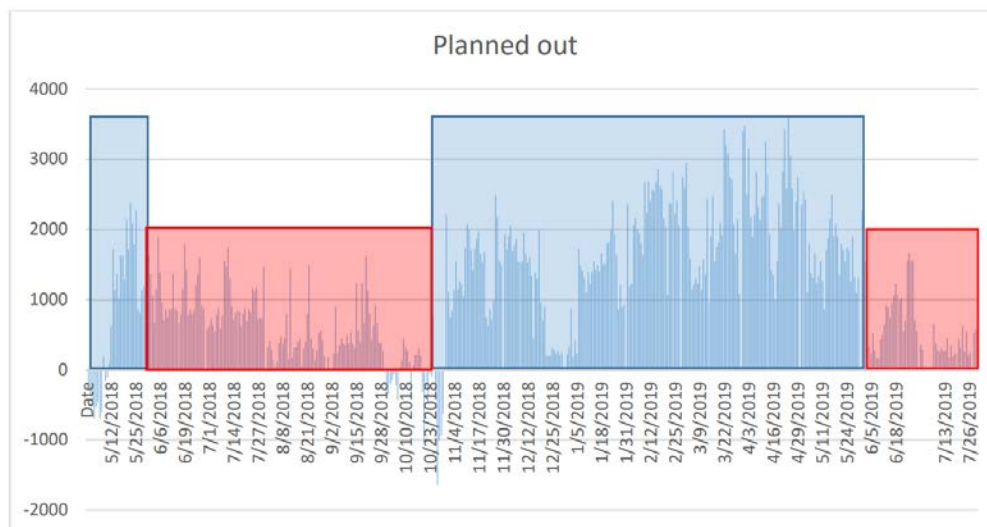
SDG&E requests the CAISO to perform the portfolio sufficiency test based on the historic RA showing for months in 2019. This exercise would allow both the CAISO and stakeholders to understand how quickly the CAISO would be able to complete a monthly study as well comparing the study results to actual events. SDG&E notes that the NQC values can be used because the CAISO has stated that it currently uses NQC values in the study, rather than UCAP, and incorporate resource specific forced outage rates. As such, SDG&E questions the benefits of switching to a monthly UCAP framework if the CAISO ultimately converts to NQC values for the study process. Finally, it appears that the CAISO has unit specific forced outage rates and data because it has been using the Summer Assessment study since 2016. While SDG&E understands that the criteria for determining what would qualify as a forced outage that may impact a resource's UCAP has not been finalized, SDG&E believes the CAISO should be able to provide a general sense of whether LSEs would have failed the individual deficiency tests based on the current data available. Additionally, SDG&E requests that the CAISO utilize the same forced outage rate that is used to calculate the resource's UCAP as it would in the CAISO's portfolio deficiency test. Using different forced outage rates for these two purposes may lead to improper deficiency notifications.

SDG&E requests the CAISO to further develop its proposal in the case of a portfolio deficiency. SDG&E understands that while the study provides a pass or fail, it may not provide an actionable solution for LSEs to procure during the cure period. SDG&E recommends the CAISO to consider how it can interpret the test results and provide LSEs with information in order to cure the deficiency. If LSEs are simply asked to cure additional UCAP and not resolve the assessment need, the procurement would not be optimal as the CAISO could still designate CPM. Likewise, unlike traditional CPM designations to meet peak system needs, it is unclear how the CAISO would make the proper determination on which resources available for CPM would pass the deficiency assessment test. While the CAISO asks at which threshold it should backstop, SDG&E believes it's more important to ask how does the CAISO determine which resources should be designated to pass the CAISO's test.

- 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.

SDG&E would like to better understand whether the CAISO is no longer considering Option 1 of the RA Enhancements proposal as the CAISO does not seek comments for Option 1.

SDG&E does not support Option 1 because SDG&E does not believe the planned outage substitution requirement should be socialized among all LSEs. For instance, if historic actual data indicates to the CAISO that 3,500 MWs of capacity are routinely planned out during certain months of the year, then the planning reserve margin would embed a percentage to account for these planned outages such that 3,500 MW more of capacity are procured in aggregate by all LSEs. This effectively shifts the procurement timing of substitutions to before the RA showing as well as shifts the additional procurement obligation to all LSEs rather than only the generators that have scheduled for planned outages. Additionally, because RA procurement is for all days of the month, this would ultimately raise costs for LSEs when the amount of planned outages are below the hypothetical 3,500 MW amount because such substitutions were not needed in the first place. This was indicated by the CAISO's Figure 2 that displayed the variability of planned outages.

Figure 2: Approved Planned Outages (Both with and Without Substitution)<sup>11</sup>

On the flip side, if planned outages exceed the hypothetical 3,500 MW limit, then such planned outages may be rejected and would have to be rescheduled. There does not seem to be any ability for the generator to provide substitute capacity even if it were able to obtain such capacity. In such instances, the proposal does not create any flexibility to adequately allow for real time operational issues and that could cause resources to effectively classify their outages as forced. SDG&E does not support Option 1.

- 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.

SDG&E appreciates the CAISO for considering a planned outage substitution capacity market framework. While the CAISO's proposal differs from SDG&E's proposed framework, SDG&E supports continued discussion that attempts to resolve the lack of substitute capacity provided for planned outages within the current bilateral market. Additionally, SDG&E believes this substitution market framework follows cost causation principles and would also minimize overall costs because substitute capacity does not have to be procured for the entirety of the RA month for partial month outages.

Aside from the product being transacted, SDG&E does not see a significant difference between the CAISO's energy markets and a substitution market. Similar to the daily and real time energy markets, the CAISO "would be facilitating daily transactions for two counter parties,"<sup>1</sup> demand and supply. SDG&E believes the CAISO should be perfectly comfortable in facilitating such transactions. Aside from the issues that are also present in the CAISO energy markets and bilateral markets, SDG&E would like to better understand why the

<sup>1</sup> CAISO Fourth Revised Straw Proposal, pg 18

CAISO feels it may not be the entity to help facilitate transactions for reliability purposes.

With respect to the issues raised, SDG&E has the following recommendations

1. Suppliers of RA resources should be price takers for substitute capacity. While SDG&E understands that there is an economic tradeoff between the cost of buying capacity versus the costs of deferring the outage, SDG&E believes that financial difference would be minimized with appropriate market power mitigation tools and that the RA resource was compensated by the LSE for its RA capacity already.
2. Suppliers of non-RA resources should be able to submit daily offer prices into the CAISO system subject to a price cap or market power mitigation checks. SDG&E suggests that the CAISO should consider the CPUC annual RA reports for the published transaction RA prices of the bilateral market as an initial price cap.
3. LSEs that show surplus RA resources should also have the ability to submit daily prices in the RA plan. In this manner, the surplus RA resources could provide the substitute capacity because such surplus is currently being used to effectively substitute for planned outages freely and therefore enables RA capacity to lean on the surplus. SDG&E believes this method would be utilized rather than the CAISO's proposed System Deficiency tool discussed above
4. SDG&E recommends the CAISO to consider replacing entire planned outages rather than only one day at a time. This would provide certainty to RA resources that need to take planned outages rather than reject an outage on day 5 of 7 because substitute capacity could not be found at a certain price. This is one of the reasons why SDG&E believes that RA resources should be price takers. In a scenario when the CAISO is unable to find substitute capacity at any price, then SDG&E believes the CAISO should question whether any substitute capacity could have been procured in the bilateral market. SDG&E believes the same limitations would occur in the bilateral market. However, the substitution market would provide much more transparency for constraints of supply as opposed to the bilateral market because that information is only anecdotal.
5. SDG&E does not understand why the CAISO believes a market does not resolve LSE withholding capacity for purposes of providing substitution capacity. First, it would be helpful to better understand how the CAISO views LSEs' roles in providing substitute capacity from non-RA resources. SDG&E submits that LSEs may only submit offers for RA capacity that's available for substitution in the case of surplus capacity during the month ahead showing. SDG&E understands that LSEs may also be scheduling coordinators ("SC") for generation resources. In this case, the LSE acts the same as any other scheduling coordinator. The scheduling coordinator would only be able to submit offers for non-RA

resources. SDG&E believes the CAISO could design the market such that resources are not bidding in daily but rather at the time of the month-ahead showing, for all days of the month, to ensure there all non-RA capacity can be available for substitution and one scheduling coordinator cannot guarantee its resource would exactly provide substitution for its own resource because there may be other economic offers. Put another way, LSEs would provide offers for substitution capacity from RA resources in the RA showing. SCs of RA resources would be price takers and this would not require any changes to the RA supply plan, under SDG&E's model. SCs of non-RA resources would submit offers to the CAISO's system, whether it be the current system or a newly designed system.

Additional details should be fleshed out as the CAISO continues to develop this framework with stakeholders.

- 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.

SDG&E believes that the substitution market would take place of the CAISO's proposed bulletin board.

- 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.

SDG&E does not support the proposal to not allow non-specified energy contracts to qualify as Import RA. The CAISO's argument that non-specified energy contracts do not address speculative supply or double counting concerns is faulty and is not addressed by *specified* import contracts. If the CAISO believes a scheduling coordinator is a bad actor, the CAISO should refer the scheduling coordinator to the Federal Energy Regulatory Commission.

SDG&E does not support the attestation and contract submission requirements of LSEs and suppliers. If the CAISO finds an SC that's a bad actor, whether it be resource specific or non-resource specific supply, the CAISO should work with the LSE to gather additional information prior to a referral to FERC. If the CAISO wishes for recallability, then the CAISO should propose such changes in its tariff rather than force such changes within contracts of buyers and sellers.

## 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.

- 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.

SDG&E understands the CAISO's need to CPM for system UCAP deficiencies because the CAISO is proposing to switch from NQC to UCAP for System RA requirements. However, SDG&E questions the need for the CAISO to retain the ability to CPM for System NQC deficiencies if the CAISO will no longer validate NQC deficiencies.

SDG&E currently does not support the CAISO's proposal to procure Local RA when the local area or sub-area fails to meet the energy sufficiency test. SDG&E does not support the CAISO switching to UCAP for Local RA because SDG&E believes it creates more problems than it solves.

- 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.

SDG&E recommends the CAISO to consider its approach with using either UCAP or NQC to reduce the complexity that would be created. SDG&E does not support UCAP because of the increased complexity that would arise. SDG&E provided a list of such in its previous comments. This is just another example of the complexity that would be created. If the CAISO were to transition to UCAP, but the CAISO were to retain NQC for purposes of CPM and those procedures, SDG&E believes this would create confusion when SCs submit CPM offers in terms of UCAP but are required to submit using NQC values. SDG&E believes this will create many issues.

- 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.

SDG&E continues to assert that RAIM was an improper incentive mechanism for RMR resources and therefore any replacement incentive mechanism should not be designed to behave like RAIM for RMR resources. SDG&E believes the CAISO should consider incentivizing

the RMR resource by paying for the availability for all 24 hours of the day rather than the current availability assessment hours.

- 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.

SDG&E strongly opposes this tool because of the improper incentives that are created that may actually increase withholding of capacity in order to create revenues for showing more RA capacity.

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.

SDG&E recommends the CAISO to describe the scope of the system changes that would be required prior to finalizing the implementation plan. Based on previous RA implementation experience, SDG&E highly recommends the CAISO to not rush into implementation without fully vetting the implementation details with stakeholders and fully testing such changes to the CAISO's software platform. While the CAISO has implemented go-live for RA initiatives during the fall market simulation, this has resulted in compromises to the final product and at times, go-live had to be delayed by several months. SDG&E recommends the CAISO to consider market simulation during the spring prior to a compliance year such that the CAISO has sufficient time for testing prior to the year ahead RA plan submissions.

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.

SDG&E believes that some of the changes to import RA requirements does impact real-time market rules because the CAISO is proposing to require real-time must offer requirements for import resources.

### **Additional comments**

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