



## Stakeholder Comments Template

### RA Enhancements

This template has been created for submission of stakeholder comments on the RA Enhancements Issue Paper that was published on October 22, 2018. The Issue Paper, 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](mailto:initiativecomments@caiso.com).

Submitted by	Organization	Date Submitted
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Submissions are requested by close of business on **November 14, 2018**.

**Please provide your organization's comments on the Issue Paper scope items listed below and any additional comments using this template.**

#### **Scoping Items**

The ISO's has identified the following items for the initial scope of this stakeholder process. Please provide comments on each of the scoping items.

#### **1. RA Counting and Eligibility Rules**

##### **a. System RA**

The ISO proposes to review the RA counting and eligibility provisions related to RA resource NQC adjustments in this initiative, including a review of the application of Effective Forced Outage Rate (EFOR) performance criteria and accompanying NQC reductions and a review and clarification of RA counting rules for RA resources. Please provide comments on this scope.

##### **Comments:**

SDG&E is interested in understanding the interaction of (i) an EFOR calculation, and (ii) the planning reserve margin which already accounts for an expected level of forced outages during the system peak load hour. If NQC values are to be adjusted downward to reflect EFORs, then a corresponding change in minimum planning reserves would seem necessary in order to provide the same level of reliability as today.

SDG&E requests that the CAISO discuss whether the EFOR calculation should be limited to peak load times or all hours of the year. This is important because if the forced outage does not affect reliability when there's sufficient resources available, then the resource's NQC would not be affected. Another question to consider is whether the calculation would be an annual metric or a monthly metric.

Furthermore, SDG&E recommends the CAISO clearly establishes through this initiative how outage rates are used in the CPUC's ELCC computations and if EFORs can accurately be applied after the ELCC computations in a linear fashion (adjustments).

SDG&E requests the CAISO provide a draft net qualifying capacity (NQC) list once as it makes decisions on its proposed methodology. This will help determine if sufficient capacity exists in specific areas to meet reliability needs.

Assuming the EFOR calculation lowers the NQC of a resource, SDG&E is concerned this would increase the instances of exceptional dispatch which may result in capacity procurement mechanism (CPM) designations because the CAISO's required capacity from that resource was altered after it was procured by the LSEs due to the new EFOR calculation.

#### **b. Flexible RA**

The ISO proposes to continue exploring enhanced flexible RA counting rules started in the FRACMOO2 stakeholder process. More specifically, the ISO will continue assessing the operational capabilities required from the fleet to align with both the Day-Ahead Market Enhancements (DAME) and the Extended Day Ahead Market (EDAM) and what flexible RA counting rule changes may be needed. Please provide comments on this scope.

#### **Comments:**

SDG&E believes the CAISO should discuss this topic in the FRACMOO 2 stakeholder process to have a wholistic approach. Setting new counting rules without knowing the impact of the FRACMOO 2 initiative proposal would not be advisable.

## **2. Review of Resource Adequacy Import Capability Provisions**

The ISO proposes to conduct a comprehensive review of the ISO's Import Capability provisions, including; calculation methodologies, allocation process, and reassignment/trading provisions. The ISO believes that is may also be necessary to consider multi-year assessments and allocations. Please provide comments on this scope.

#### **Comments:**

SDG&E supports a comprehensive review of the ISO's import capability process. Question #3 may lead to tightened rules resulting in more effective and actual delivery of imports that could impact maximum import capability (MIC). SDG&E recommends the CAISO to move to a forward looking modeled MIC much as is done in the transmission planning process (TPP). The rapidly changing western energy supplies makes the current historically based MIC inappropriate. Also changes in non-coincident peak (NCP) and coincident peak (CP) times between areas must be factored into the MIC analysis. As well

as peak shift impacts on what external resources (and their location) make up the imports. For example, a Local area that has a peak shifted later in the day (NCP) than the CAISO overall (CP) may have little or no solar available and consistent little or no solar from should be assumed in MIC.

The CAISO should consider a market-based approach that assures holders of MIC receive revenues appropriately allocated back to LSEs that pay for the TAC.

At this time, SDG&E does not believe the CAISO should consider multi-year assessments given that the CAISO is not considering multi-year system RA requirements.

### **3. Rules for RA imports**

The ISO proposes to include a review of RA import rules and provisions in the scope of this initiative, including a reassessment of the requirements and rules for the sources behind RA imports. Please provide comments on this scope.

#### **Comments:**

SDG&E thinks imports used for RA should:

- 1) Be real. A speculative source that may be committed to another use is not acceptable (as in for passing a sufficiency test). Capacity cannot be used for incompatible purposes and would lead to double counting and reliability shortfalls when needed most.
- 2) Have appropriate penalties to assure delivery unless physically blocked. Financial considerations to deliver elsewhere are not allowed.
- 3) Not be allowed to use the \$2000/MWH increased bid cap to avoid most penalties for not delivering.

### **4. Must Offer Obligations, Substitution Rules, and RAAIM**

The ISO proposes to include a review of the following set of issues as a part of this stakeholder initiative; need for substitution rules and RAAIM, developing an emergency or event based RAAIM trigger, and must offer obligations for RA imports. Please provide comments on this scope.

#### **Comments:**

SDG&E agrees that the substitution and RAAIM processes are complex. However, SDG&E does not agree that the CAISO should develop an emergency or event based RAAIM trigger. All that would do is apply the same complex rules and financial charges less often and make the process even less transparent. Applying RAAIM to resources that would have lower NQCs due to EFOR calculations may also double penalize these resources. This was the reason that the CAISO noted to FERC for its exemption of combined heat and power and renewable resources from the RAAIM mechanism.

Instead, SDG&E believes the CAISO should review other solutions. For example, if all capacity on forced outage provided substitute capacity, then their RAAIM charges would be \$0. They would actually receive an incentive. However, finding substitute capacity can be challenging given the time constraints.

SDG&E proposes that the CAISO research the benefits of a substitution market where non-RA capacity could offer to provide substitution capacity to resources on forced outage. This could replace RAAIM and potentially eliminate the need to develop an EFOR calculation.

## 5. **System and Flexible Capacity Assessments and Adequacy Tests**

As part of this stakeholder initiative, the ISO is considering a new tool to assess the adequacy of the system and flexible RA fleet. Please provide comments on this scope.

### **Comments:**

SDG&E is uncertain if this assessment is needed for the monthly RA planning process. More elaboration on how such a tool would improve reliability, make the energy markets more efficient and save customers costs is needed.

## 6. **Meeting Local RA Needs**

### **a. Local capacity assessments with availability limited resources**

As part of this stakeholder initiative the ISO proposes to enhance the ISO's local capacity technical analysis to assess the impact of availability limited resources on local capacity needs. Please provide comments on this proposed scope.

### **Comments:**

SDG&E believes the CAISO needs to continue with the current in-depth discussion on the technical requirements for use-limited resources to meeting local capacity needs. Market participants require a standard product to which they may transact and procure. Having varied requirements brings inconsistent products as well as increased costs to customers.

Caution must be used to assure that double or triple derating of capacity does not occur through planning reserve margin (PRM), ELCC, NQC and adjustments for availability limits.

### **b. Meeting local capacity needs with slow demand response**

Through this initiative, the ISO proposes to explore how to best operationalize slow DR through pre-contingency dispatch, so these resources can mitigate local reliability concerns and qualify for local RA. Please provide comments on this scope.

### **Comments:**

SDG&E notes that the approach to adequacy taken in the Moorpark and Santa Clara studies using multi-hour load and resource matching is a departure from NERC standard operating procedures and believes further justification for changing the default approach must be reviewed. The CAISO must make clear if the approach is to be considered as a tool for special conditions only or if it is to be adopted as standard.

In general, SDG&E supports the exploration of reasonable methods of economic pre-dispatch to play a part in serving part of LCR driven adequacy strategies for “slow start” DR programs. This would include standardized notification and alert systems and protocols with bilateral obligations. SDG&E supports a qualification requirement for RA to include a demonstration or simulation of potential output within the scenarios where the resource is expected to perform.

A crucial element in the use of a “pre-contingency” strategy to reliability is the trustworthiness of the forecast of need well in advance of potential contingency events. This requires accurate and timely short-term load forecast of sub area conditions. We note that the possibility of false alarms is likely in the case of pre-event commitment of a slow start DR resource. Therefore the “number of calls” and “duration of call” constraints may be binding and should be considered when providing for LCR RA status.

## **7. CPM/RMR Review**

Through this initiative, the ISO is planning to identify any needed changes to the capacity procurement mechanism (CPM) or reliability must run (RMR) mechanisms, particularly focusing on the existing cost allocation tools. Additionally, the ISO will specify the process for backstop procurement of essential reliability resources (ERRs) if they are not procured through the RA process. Please provide comments on this scope.

### **Comments:**

SDG&E believes the CAISO should primarily discuss the cost allocation of the various CPM scenarios if the CPUC makes a determination on the central buyer. Particularly, the CPUC seems to be leaning towards a central buyer concept where LSEs do not have any requirements. In such a scenario, how would the costs of CPM be allocated to LSEs?

In the near term, it may be appropriate to reexamine the allocation of CPM costs in instances where a resource receiving a CPM designation is actually supporting reliability in Local Capacity Requirement (LCR) areas outside the LCR area in which the resource is located.

## **Scope of Policy Examination**

The ISO’s has identified the initial scope for this stakeholder process as the items listed above. Please provide comments on the proposed scope. If there are specific items not already identified by the ISO that you believe should be considered, please provide specific rationale for why the ISO should consider it as part of this initiative.

### **Comments:**

SDG&E recommends that the CAISO provide opportunities to discuss implementation requirements for the CPUC’s multi-year RA process in the future.

## **Other**

Please provide any comments not addressed above, including any comments on process or scope of the RA Enhancements initiative, here.

**Comments:**

As part of the LCR process, SDG&E continues to encourage the CAISO to post their final LCR cases so that entities can get a better understanding of the LCR studies and results.