



LEG 20-0114

Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fifth revised straw proposal that was published on July 7, 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. Submissions are requested by close of business on **August 7, 2020**.

Submitted by	Organization	Date Submitted
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SMUD appreciates the opportunity to provide comments and input on the CAISO's Resource Adequacy Enhancements Fifth Revised Straw Proposal, dated July 7, 2020 (Proposal). SMUD is an active market participant in the CAISO's Day-Ahead and Real-time Markets, including the Energy Imbalance Market. We are situated in the Balancing of Authority of Northern California (BANC) Balancing Authority (BA) and have robust interties with the CAISO grid, which we use frequently to import and export power. This provides SMUD the potential to provide import Resource Adequacy (RA) to the CAISO market. SMUD also has resources inside the CAISO footprint which could provide RA as well. In addition, SMUD purchases RA for a community choice aggregator. Accordingly, we have a direct interest in this initiative.

SMUD's comments below focus on the RA Import Requirements. SMUD takes no position at this time with respect to the other issues and reserves the right to provide additional comments at a later time.

Please provide your organization's overall position on the RA Enhancements fifth 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 Determining System RA Requirements topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.
- b. Please provide your organization's feedback on the Unforced Capacity Evaluations topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.
 - i. Please provide your organization's feedback on whether the ISO should establish a dead band around a resource's UCAP value given the associated benefits and burdens, as described in section 4.1.2. Please explain your rationale and include examples if applicable.
 - ii. Please provide your organization's feedback on Option 1 and Option 2 for calculating UCAP for new resources without three full years of operating history, as described in section 4.1.2. Please explain your rationale and include examples if applicable.
 - iii. Please provide your organization's feedback on the ISO's approach to use the historical availability during the RAIM hours for years prior to 2019 and the historical availability during the 20% tightest supply cushion hours in years 2019 and beyond for hydro resources, as described in section 4.1.2. Please explain whether this approach is necessary or preferred to the standard UCAP calculation to reflect hydro availability.

- iv. Please provide your organization's feedback on the modifications for UCAP counting rules for storage resources as described in section 4.1.2. Please explain your rationale and include examples if applicable.

- c. Please provide your organization's feedback on the System RA Showing and Sufficiency Testing topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

- d. Please provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications topic as described in section 4.1.4. Please explain your rationale and include examples if applicable.
 - i. Please provide your organization's feedback on generally defining variations to the must offer obligations and bid insertion into the day-ahead market based on resources type, as described in Table 12 in section 4.1.4. Please explain your rationale and include examples if applicable.

- e. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.5. Please explain your rationale and include examples if applicable.

- f. Please provide your organization's feedback on the RA Import Requirements topic as described in section 4.1.6. Please explain your rationale and include examples if applicable.

While SMUD supports measures to enhance reliability, such as foreclosing speculative RA supply, SMUD does not currently support the CAISO deviating from CPUC Decision D.20-06-028, which continues to permit firm-energy deliveries. In proposing to eliminate firm-energy deliveries, the CAISO is also likely reducing the amount of import RA it relies on to serve load. The CPUC

conducted an extensive stakeholder process in its proceeding, and ultimately decided on a number of refinements that will improve the RA program. However, it stopped short of adopting an unreasonable and overly restrictive condition that prevents firm-energy from serving load. SMUD is concerned that targeting firm-energy deliveries as the cause of speculative supply could have unintended consequences, such as compromising reliability by reducing the amount of RA available to the CAISO market.

Firm-energy deliveries represent a level of commitment for delivery beyond the capacity itself. Not being tied to a specific resource does not make a firm-energy schedule less reliable. On the contrary, removing this restriction is what makes an energy schedule increase in firmness from “unit-contingent” (WSPP Schedule B) to “firm” (WSPP Schedule C) status. Firm-energy schedules do not allow for a seller to be excused if the specified source becomes unavailable because the supplier must continue to supply the energy from other resources. This obligates the supplier to account for its associated effect to capacity on the supplier’s portfolio in the same manner that it would for an individual resource. For example, when SMUD makes a firm-energy sale to a counterparty, its own RA obligation is increased because the capacity from its entire resource portfolio is reduced. An outage on any of SMUD’s units does not excuse SMUD from its obligation to deliver the energy it had previously committed as a firm sale. Since the energy is already committed along with the capacity, there should be no reason to doubt its deliverability. This should alleviate the stated concerns around 1. Lack of specification and double counting of RA import resources, and 2. Speculative RA import supply being used on RA showings.

SMUD suggests allowing firm-energy schedules to qualify for import RA with an attestation that the supplier has accounted for the capacity in its resource portfolio accordingly, and that the energy cannot be used to satisfy the delivery obligation of a separate capacity obligation.

- i. Please provide your organization’s feedback on the issue of whether firm transmission service on the last line of interest to the CAISO BAA will ensure reliability and is feasible, or whether the CAISO should require point-to-point, source to sink firm transmission service as originally proposed, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

The Proposal assumes that some form of firm transmission is needed for the RA program. However, supporting data or other information to demonstrate a need for firm transmission has not been provided. SMUD suggests that data be provided in support of the proposition that the delivery of RA on different forms of transmission has resulted in additional curtailment risk, and whether the e-tags demonstrate an overreliance on

non-firm transmission. Because this firm-transmission proposal could harm LSEs by lowering the amount of resources available, increase their RA costs, and reduce flexibility at a time when the CAISO relies on import RA to meet its reliability needs, it is essential that these additional restrictions be fully supported and justified by the data.

Of additional concern is that some entities have control over significant portions of transmission rights and could use this for market power or hoarding. Indeed, some entities advocated for the same firm transmission requirement in the CPUC proceeding R.17-09-020; the CPUC rejected this in D.20-06-028 because the “market for firm transmission rights holders is highly constrained,” recognizing that some entities have too much market control. The CPUC, however, did commit to further explore the feasibility of a firm transmission requirement in a future proceeding, which SMUD supports. In any case, what concerns SMUD is that requiring firm transmission may exclude viable RA suppliers from the market and leave much of the delivery control in the hands of a few entities.

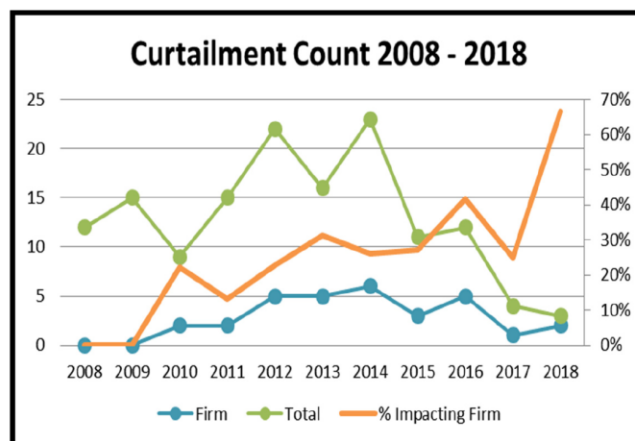
Furthermore, during the stakeholder meeting, a concern was raised about the curtailments on the Southern Intertie, which was claimed as justifying a need to require firm transmission. However, data or analysis to support this contention has not been explored. Is the CAISO concerned about curtailments, or about derates? Curtailments and derates are different things. Based on the COI mitigation procedures, the Southern Intertie may be derated based on mitigation measures on the COI. However, this does not necessarily mean that firm transmission is maintained, and in fact, at times this results in reductions of firm transmission during certain periods.

- ii. Please provide your organization’s feedback on other BAA’s systems bordering the CAISO and whether such a “last line of interest” proposal is feasible and would effectively support RA import capacity dependability and deliverability, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

*Before determining whether--and to what extent--firm transmission is required for import RA, the CAISO should clarify the problem it is trying to solve. If the CAISO is concerned about curtailments of non-firm transmission, BPA has conducted analysis of **all** curtailments on its system, which demonstrates a significant reduction in curtailments in recent years. This slide is from a BPA presentation in its TC-20 proceeding workshop on 8/21/18 which shows fewer than 5 curtailments across the **entire** BPA system in a single year. Additionally, BPA’s recent limitation of its hourly firm product is expected to reduce curtailments further.*

Reliable System Operations/Curtailment Priority

- The total number of curtailments are decreasing. However, the I-5 no build decision is a leading indicator that we will not be able to build our way out of congestion so the decreasing trend is likely to reverse as system utilization increases.
- The % of curtailments impacting firm and the amount of firm as a % of the total cut in each event has been on the rise since 2009.
- Removal of Hourly Firm from our product portfolio will be the most effective in enabling curtailment priority to function as intended and to provide clear congestion signals (if everyone is firm, no one is firm).



Also, SMUD has observed that the most restrictive path on BPA's transmission system is south of John Day (the Southern Intertie). If import RA is provided from resources north of John Day, requiring firm transmission from source to sink will not solve a BPA network deliverability concern if the constraint is on the Southern Intertie. The higher liquidity at Mid-C versus COB seems to demonstrate this to a certain extent.

In conclusion, SMUD encourages the CAISO to provide data and analysis that support its firm transmission proposal, and to collaborate with BPA (and other neighboring BAs that provide import RA) to determine the scope of the perceived delivery problem.

- iii. Please provide your organization's feedback on whether a non-compliance penalty or other enforcement actions are necessary if delivery is not made under firm transmission service, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

Assessing a penalty specifically for firm transmission does not seem to address deliverability concerns more than it discourages potential

suppliers from being able to competitively provide RA to California. Having such penalties would eliminate suppliers who may have more economic, cleaner, better-located resources from participating. Thus, only those few entities who have firm transmission rights to California interties would be able to provide RA in a non-competitive situation. The penalty itself however, does not address deliverability concerns. The firmness of transmission is not what ultimately limits the total amount of energy that flows. For example, if a firm transmission schedule bumps and displaces a non-firm transmission schedule into California, the same amount of energy is still being provided to California. The limit is the actual transfer capability. An issue that is worth exploring is the amount of firm transmission or transfer capability that is dedicated to wheel-throughs at the interties to serve load not inside the CAISO BA. There has not been any data provided yet to demonstrate that this is a potential concern.

An effective tool to address the speculative supply/double counting concern has been implemented by the CPUC in D.20-06-028 by requiring self-scheduling or specific \$MWh bidding for all availability assessment hours. In addition, any remaining concerns by the CAISO could be addressed with refinements to its MIC program and an effective market power mitigation strategy. Whether the transmission ultimately used to deliver the energy to the intertie is firm or non-firm should be decided by competition in the market.

Non-compliance penalties should be focused on the act of non-delivery itself. The shortfalls of RAAIM as applied to import RA are more concerning than the firmness of the transmission. Non-performance penalties should be assessed appropriately to discourage speculative supply. This is a more effective use of penalties than one directed at the firmness of transmission.

- iv. Please provide your organization's feedback on how to convey the last line of interest, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

- v. Please provide your organization's feedback on the options proposed in section 4.1.6 and any other potential mechanisms that would best ensure RA imports are dependable and deliverable if the CAISO were to adopt, as an alternative, a "last line of interest" firm transmission service requirement. Please explain your rationale and include examples if applicable.

- g. Please provide your organization's feedback on the Operationalizing Storage Resources topic as described in section 4.1.7. Please explain your rationale and include examples if applicable.

2. Flexible Resource Adequacy

Please provide your organization's feedback on the Flexible Resource Adequacy topic as described in section 4.2. Please explain your rationale and include examples if applicable.

3. Local Resource Adequacy

Please provide your organization's feedback on the Local Resource Adequacy topic as described in section 4.3. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the UCAP in Local RA Studies topic as described in section 4.3.1. Please explain your rationale and include examples if applicable.

The CAISO proposes that wildfires are not exempt from UCAP, which SMUD does not support. Firstly, generators do not have control of these events. Moreover, while generation is not needed as load will be curtailed in the wildfire area, the generator is still being penalized for not being available.

4. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.4. 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 4.4.2. Please explain your rationale and include examples if applicable.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.4.3. Please explain your rationale and include examples if applicable.

 - c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.4.4. 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, as described in section 4.4.4. Please explain your rationale and include examples if applicable.

 - d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.4.5. Please explain your rationale and include examples if applicable.
5. 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.
6. 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.

Additional comments

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

