



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. Submissions are requested by close of business on **April 7, 2020**.

Submitted by	Organization	Date Submitted
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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.**

Six Cities' Comments: With respect to the discussion of System RA Showings and Sufficiency Testing in Section 4.1.1 of the Fourth Revised Straw Proposal, the Six Cities support the concept of evaluating portfolio sufficiency, *i.e.*, the ability of the RA portfolio to meet load requirements during all hours, not just during system peak periods. In addition, the Six Cities support the use of the production simulation model used for CAISO's annual Summer Assessment studies for purposes of portfolio sufficiency testing.

However, the Six Cities are concerned that basing the portfolio sufficiency test solely on production modeling limited exclusively to shown RA resources (as proposed at page 10 of the Fourth Revised Straw Proposal) may be overly conservative and lead to unnecessary and/or unduly costly incremental procurement. Because non-RA resources do not take on any forward obligation to make themselves available to the CAISO BAA during any specific periods, it makes sense to conduct a portfolio sufficiency test based solely on the production capability of shown RA resources as one metric of the portfolio sufficiency analysis. But non-RA resources within the CAISO BAA do have obligations under the Participating Generator Agreement to comply with all applicable provisions of the CAISO Tariff (Participating Generator Agreement Section 4.2), including, *inter alia*, (1) responding to Exceptional Dispatch instructions when they are able to do so (Tariff Section 34.11.1), (2) informing the CAISO of changes in operational status (Tariff Section 4.6.1.1), and (3) complying with outage management requirements under Tariff Section 9, including obtaining CAISO approval for planned outages. (Tariff Section 9.3.2.) All Participating Generators also are subject to CAISO control "to prevent an imminent or threatened System Emergency." (Tariff Section 7.7.2(c)(1).) In light of the foregoing obligations of all Participating Generators, it seems unreasonable to completely ignore the capabilities of non-RA resources in evaluating portfolio sufficiency. Such resources are not merely economic energy substitutes, as the Summer Assessment studies implicitly have recognized.

The Six Cities, therefore, recommend that if it is technically feasible to do so, the CAISO conduct the portfolio sufficiency tests based on both shown RA resources (both internal and external to the CAISO BAA) and on shown RA resources plus all non-RA resources within the CAISO BAA. The broader test (*i.e.*, all shown RA resources plus all non-RA resources within the CAISO BAA) would provide useful supplemental information on the severity of reliability risks arising from any deficiency identified by the narrower sufficiency test (based only on shown RA resources) as well as potential guidance on the most efficient approach for any supplemental RA procurement considered necessary. If it is not technically feasible to conduct the portfolio sufficiency tests based on both sets of resource inputs for every month, the CAISO could perform the broader-based test only in months for which the narrower test indicates a deficiency.

- 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.**

Six Cities' Comments: Consistent with their January 27, 2020 comments on the Third Revised Straw Proposal in this initiative, the Six Cities support the CAISO's decision to

abandon the two options for modifications to the planned outage process discussed in the Third Revised Straw Proposal and appreciate the CAISO's efforts to develop new alternatives for planned outage process enhancements. As discussed below, the Six Cities generally prefer the Option 2 approach described in the Fourth Revised Straw Proposal subject to appropriate resolution of the significant implementation issues.

The Option 1 approach described in the Fourth Revised Straw Proposal would establish a planned outage reserve margin for off-peak months and would allow only short-term and off-peak opportunity outages between June 1 and October 31. Recognizing that it is not possible to predict with any certainty when system peak or near-peak conditions will occur during the May through September period, imposing such a sweeping restriction on planned outages for five months of the year appears potentially problematic. In addition, requiring increased procurement of RA capacity to satisfy pre-established planned outage reserve margins seems likely to result in unnecessary procurement in some months (in terms of accommodating planned outage requests) and inadequate procurement in others. Overall, the Six Cities believe the Option 1 approach is likely to be unduly rigid and may be excessively costly as a result of increased UCAP requirements.

The overall concept of the Option 2 approach described in the Fourth Revised Straw Proposal - - establishing a "Replacement RA" marketplace conducted by the CAISO - - is appealing. Such a framework could ease the challenges of procuring Replacement capacity to support planned outages for RA resources, and the Six Cities specifically support the proposal to allow the resource owner or other entity that would be responsible for paying for Replacement capacity to establish a maximum price for such capacity. This would enable the resource to weigh the economic consequences of postponing a planned outage against the cost of purchasing Replacement capacity to allow the outage to go forward. Under Option 2, the CAISO should not procure Replacement capacity for all RA capacity requesting a planned outage but should only procure Replacement capacity to the extent necessary to satisfy daily RA requirements.

However, the Six Cities share the CAISO's view that the Option 2 approach raises some extremely difficult implementation questions, including whether there should be caps on bids to provide Replacement capacity or a cap on monthly revenues that could be earned by Replacement capacity suppliers. Conceptually, the challenge is to establish bidding parameters that will provide incentives for non-RA resources to bid to provide Replacement capacity without allowing unreasonable windfalls. It also is necessary to consider potential impacts on the market for RA capacity and on the Competitive Solicitation Process for the Capacity Procurement Mechanism. The Six Cities agree that differences between procurement of Replacement capacity on a daily basis and a monthly commitment under the CPM may justify differences in bidding parameters, but it is still necessary to avoid unintended adverse impacts on market processes that effectively seek to attract the same non-RA capacity that would be able to supply Replacement capacity.

On a preliminary basis and for discussion purposes, the Six Cities suggest that the CAISO consider a combination of a daily bid cap that would exceed a proportionate share

of the monthly CPM Soft-Offer cap (\$0.42 per kW/day or twice the daily value of the Soft-Offer cap for consideration) accompanied by a monthly revenue cap equal to some percentage of the CPM Soft-Offer cap (95% for consideration) times the kW of Replacement Capacity sold during the month. In order to facilitate scheduling of planned outages during off peak months it may make sense to consider allowing higher total compensation for Replacement capacity, relative to a CPM designation for the same capacity, in the off peak months.

The Fourth Revised Straw Proposal also requests stakeholder input on how to address situations where Replacement capacity is available for part but not all of a period required for a planned outage. Some possible solutions to this issue would be to allow bids to supply Replacement capacity for multi-day blocks to include an adder over the amount of the otherwise applicable daily bid cap and/or some relaxation of the monthly revenue cap.

The Fourth Revised Straw Proposal expresses concern at page 19 that the Option 2 approach may encourage Scheduling Coordinators to withhold capacity to self-insure against costs for Replacement capacity. The Six Cities do not see this concern as an over-riding objection to the Option 2 approach. Even if a resource Scheduling Coordinator were able to effectively self-supply Replacement capacity to cover a planned outage for a number of days, that Scheduling Coordinator would have both an incentive and a mechanism to offer its non-RA capacity to supply Replacement capacity to cover other outages during the remaining days of the month. In addition, the proposed UCAP Deficiency Tool would provide a countervailing incentive to show RA capacity in excess of requirements in months when planned outages are less likely to be scheduled and RA shortfalls more likely to occur.

- 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.**

Six Cities' Comments: The Six Cities recommend that bids to supply Replacement Capacity be accepted for daily capacity or for multi-day blocks beginning one year prior to the day for which the bid is submitted (T-365) and up until the second day prior to the day covered by the bid (T-2). Offering suppliers should be permitted to change or withdraw bids until the bid is accepted.

- 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.**

Six Cities' Comments: The Six Cities do not see a need for a Planned Outage Substitution Capacity Bulletin Board if the Option 2 Replacement Capacity approach is implemented. However, the CAISO should continue to publish a planned outage outlook

calendar, as the information on RA headroom will have continuing value for outage planning purposes.

- 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.**

Six Cities' Comments: The Six Cities continue to support elements of the CAISO's Fourth Revised Straw Proposal that seek to ensure that RA imports are backed by physical capacity that is committed and deliverable to the CAISO, including the following proposed modifications:

- Requiring attestations that all import RA supply included on RA supply plans is surplus, has not been committed to others, and will not be otherwise sold or relied upon to meet other areas' needs after the monthly showings;
- Requiring verification to ensure the resource-specific supply remains available to the CAISO markets through the operational timeframe;
- Clarifying that only supply that has provided source specification can qualify as RA import capacity; and
- Modifying CAISO tariff-defined import market participation models to extend Must Offer Obligations to the Real-Time Market for all MWs included on RA showings.

See Fourth Revised Straw Proposal at 24. Additionally, the Six Cities do not oppose the CAISO's proposal to require that RA imports be supported by firm transmission from the source location along the delivery path to the CAISO BAA. (*Id.* at 31-32.)

The Six Cities specifically support the CAISO's proposal to permit continued reliance on the Non-Resource Specific System Resource type of import (among other import types as described on pages 28-29 of the Fourth Revised Straw Proposal), subject to the above-referenced documentation requirements that such resources represent physical supply that is not being double-counted, is not speculative, is solely committed to the CAISO, and is not being relied upon by other Balancing Authority Areas for load-serving purposes. (*Id.*)

The Six Cities also do not oppose the CAISO's proposal to establish a Real-Time Must-Offer Obligation ("MOO") for RA imports that is "consistent with existing rules for internal resources and pseudo-ties," which the Six Cities understand to mean that the obligation to bid in Real-Time is applicable to short and medium-start resources in addition to resources that have received Day-Ahead schedules. (*Id.* at 29 & n.23.) It is critical, however, that the Real-Time MOO respect start up times, physical resource constraints, and sub-sets of hours contracts, as proposed in the Fourth Revised Straw Proposal. (*Id.*) The Six Cities' support for the CAISO's proposal to adopt a Real-Time MOO is expressly contingent upon the CAISO identifying approaches to ensure that import RA resources representing physical supply that is highly reliable but, due to operating limits, is unable to

comply with a 24x7 MOO – such as Cities’ Hoover Power Plant entitlements – may continue to be relied upon by CAISO load-serving entities.

Finally, the Six Cities do not oppose the CAISO’s proposal to require RA imports to be supported with firm transmission to the CAISO BAA boundary. As the CAISO acknowledges, however, some stakeholders have raised concerns regarding the potential for this element of the CAISO proposal to create competitive advantages for external entities that hold significant transmission rights on major paths. While the Six Cities agree with the CAISO’s observation that this concern should not be conflated with the quality and dependability of firm transmission service, the CAISO should be mindful of this concern and should commit to actively monitoring the implementation of this requirement to ensure that such entities are not inappropriately exercising market power. The CAISO should make clear that behavior such as discriminatory pricing, unjustified withholding, or the granting of undue preference in the provision of external transmission service will be fully investigated by the Department of Market Monitoring to the extent consistent with the CAISO’s tariff authority and will, in all instances, be referred to FERC.

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.**

Six Cities’ Comments: In general, the Six Cities do not oppose the proposed modifications to the CPM in order to accommodate the UCAP structure. The proposed revisions do not appear to represent an expansion of the CAISO’s existing CPM procurement authority *per se*, but, rather, they seem to reflect more of a realignment of the existing CPM with the new UCAP approach.

In instances where the CAISO makes a CPM designation for multiple reasons, as discussed on page 36 and at Figure 6, the Six Cities would like to confirm that the deficiency types in the CPM Designation Order would apply only in instances where the CAISO is procuring CPM to address a deficiency of the listed type. For example, if the CAISO procured CPM to address a System UCAP deficiency (the first deficiency type in the list) and a Local collective deficiency (the fourth deficiency type), would the CAISO allocate CPM costs (and CPM credits) according to the allocation methodology for System UCAP deficiencies and Local collective deficiencies, and not to the other three listed categories?

- 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.**

Six Cities' Comments: Consistent with their prior comments, the Six Cities support making CPM designations based on UCAP values, as opposed to NQC values, if a UCAP deficiency is resulting in the need for the CPM procurement.

- 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.**

Six Cities' Comments: The Six Cities agree that, with the elimination of RAIM, the CAISO will need to determine an appropriate performance mechanism for RMR resources. The CAISO's proposal to establish resource-specific performance targets appears to be reasonable. (See Fourth Revised Straw Proposal at 37-38.) The performance requirements, which presumably would be set forth in the RMR contract, should be based on the principle that CAISO customers should receive the full benefit of the resource in exchange for the cost-of-service-based compensation that the resource is receiving. An appropriate penalty for non-performance in instances when the RMR resource is unavailable is the higher of either (i) a clawback of the resource's RMR payment for the applicable interval; or (ii) application of the Soft Offer Cap to the quantity of energy or capacity the resource did not provide during the applicable interval.

The Six Cities specifically support the CAISO's proposal not to provide RMR resources with performance incentive payments. (*Id.* at 37.) RMR resources receive compensation based upon their full cost of service and are required to comply with a MOO. For RMR resources, supplemental availability incentive payments are not appropriate.

Finally, the Six Cities agree that any penalty payments from RMR resources should be allocated to the parties assigned the costs of the RMR designation.

- 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.**

Six Cities' Comments: The Six Cities support the concept of compensating LSEs that show RA capacity in excess of their own requirements and collecting deficiency charges from LSEs that do not meet their requirements. The Cities agree that it is appropriate to base the deficiency charge on the CPM Soft Offer Cap and that allocations of CPM procurement costs should not overlap or duplicate UCAP deficiency charges. The Six

Cities, therefore, continue to support implementation of the UCAP Deficiency Tool subject to review of its operation and impact following an initial implementation period.

- 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.**

Six Cities' Comments: Overall, the Six Cities consider the timeline for the implementation plan proposed in Section 5 of the Fourth Revised Straw Proposal to be optimistic but do not object to adopting the proposed schedule as a target, subject to modification as necessary to support careful development of implementation details with adequate opportunities for stakeholder input and preparation.

The Six Cities support the concept of phased implementation and the proposed delineation of Phase One elements. However, the Six Cities do not understand how many of the elements of Phase Two can be implemented prior to the establishment of capacity counting rules and forced outage assessments, listed in Phase Three. The Six Cities recommend that Phase Two be defined in a more granular way to focus on elements that are not dependent on prior development of capacity counting rules.

- 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.**

Six Cities' Comments: The Six Cities support the CAISO's proposed decisional classification for this initiative as discussed in Section 6 of the Fourth Revised Straw Proposal.

Additional comments

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