



Stakeholder Comments Template

Resource Adequacy Revised Straw Proposal

This template has been created for submission of stakeholder comments on the *Resource Adequacy Revised Straw Proposal* that was published on July 1, 2019. The proposal, 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. Submissions are requested by close of business on July 24.

Submitted by	Organization	Date Submitted
Bonnie Blair bblair@thompsoncoburn.com 202-585-6905 Meg McNaul mmcnaul@thompsoncoburn.com 202-585-6940	<i>The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (“Six Cities”)</i>	<i>August 1, 2019</i>

Please provide your organization’s comments on the following issues and questions. Please explain your rationale and include examples if applicable.

1. System Resource Adequacy

- Please provide your organization’s feedback on the *Determining System RA Requirements* as described in *Section 5.1.1*.

Six Cities’ Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities do not object to development of a system UCAP requirement.

- Please provide your organization’s feedback on the *Forced Outage Rates and RA Capacity Counting* as described in *Section 5.1.2*.

Six Cities’ Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities generally support the calculation of forced outage rates and capacity counting rules as described in Section 5.1.2. In applying the proposed methodology, however, it is critical to

define “forced outage” and/or categories of forced outage that affect UCAP based on clearly articulated and consistent criteria. The “Forced Outage Card – Nature of Work Classifications” listed in Table 2 of the Revised Straw Proposal are not sufficient for this purpose. The Table 2 classifications are not clearly defined. Some of the categories appear to be overly broad, while others seem unduly narrow. Rather than rely on the Table 2 classifications, the ISO should define the principles to be applied in determining whether an outage will affect UCAP and then revise the Nature of Work categories to be consistent with those principles. Outages should not be considered forced for purposes of calculating UCAP based solely on the time when a resource submits a request to take an outage to the ISO’s Outage Management System.

The Six Cities strongly support the elimination of the Resource Adequacy Availability Incentive Mechanism (“RAAIM”). If resource availability is reflected in the UCAP calculation, then applying a RAAIM penalty would be duplicative.

- Please provide your organization’s feedback on the *System RA Showings and Sufficiency Testing* as described in *Section 5.1.3*.

Six Cities’ Comments:

Subject to review of additional information that becomes available, the Six Cities on a preliminary basis generally support the ISO’s proposal to conduct a monthly portfolio assessment of RA resource showings. The Cities take no position at this time regarding the methodology to be utilized for the portfolio analysis.

- Please provide your organization’s feedback on the *Must Offer Obligation and Bid Insertion Modifications* as described in *Section 5.1.4*.

Six Cities’ Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities do not object to the ISO’s proposed Must Offer Obligation (“MOO”) and bid insertion modifications as described in Section 5.1.4 of the Revised Straw Proposal. With respect to bid insertion, the Six Cities concur with the ISO’s proposal at page 28 of the Revised Straw Proposal to adopt Option 1 (apply bid insertion to all non-use-limited resources and resources registered as use-limited under Commitment Cost Enhancements – Phase 3 (“CCE3”) policy) rather than treating all intervals as forced outages for the purposes of the UCAP calculation.

- Please provide your organization’s feedback on the *Planned Outage Process Enhancements* as described in *Section 5.1.5*.

Six Cities’ Comments: The Six Cities consider the Planned Outage Process topic to be one of the most challenging elements of the RA program. The Cities fully understand the ISO’s concerns with maintaining reliability at all times and the associated difficulties with making advance decisions about which RA resources

will or will not be needed at some future point. At the same time, the Six Cities share the frustrations expressed by many other LSEs and resource owners with the limitations on ability to schedule planned outages with reasonable confidence that the schedule can be maintained. Continuing uncertainties regarding when the ISO will require replacement capacity and the feasibility of procuring replacement capacity will undermine the ISO's attempts to encourage LSEs to include in their RA showings all capacity subject to RA contracts rather than showing only the amounts of RA capacity sufficient to meet allocated RA requirements.

The Six Cities believe that adoption of a requirement that replacement capacity be "comparable" to the RA capacity for which a planned outage is requested, as discussed at pages 35-36 of the Revised Straw Proposal, is likely to be infeasible for at least some types of capacity. For example, one of the attributes suggested for evaluation of comparability is location. But the ISO has recognized that there are some local areas in which all existing capacity resources are needed to satisfy Local RA requirements. In such areas, it obviously would not be feasible to obtain "comparable" replacement capacity. Moreover, requiring replacement capacity to be comparable to the RA capacity requesting a planned outage will increase the incentive to hold back RA capacity above the amount needed to meet requirements so as to mitigate the risk of being required to provide replacement capacity when such capacity may not be available in the market.

Some modifications to the replacement proposals in Section 5.1.5 that would reduce the burdens of providing replacement capacity and the associated adverse incentives would be (1) to apply the requirement to provide replacement capacity "comparable" to the RA capacity requesting a planned outage only under specified system conditions that make application of such a comparability requirement essential to maintain reliability, and (2) exempting any amounts of RA capacity shown in excess of allocated requirements from any replacement obligation. The ISO should avoid creating disincentives for LSEs to hold back any capacity in excess of their requirements.

The Six Cities also urge the ISO to provide some sort of mechanism through which it would inform LSEs as to when scheduling of planned outages is preferred. Such reporting would allow generators to schedule planned outages at times when the anticipated impacts to the system are expected to be lower.

The Six Cities have reviewed the Policy Initiatives Catalog Submission Form submitted by Pacific Gas and Electric Company ("PG&E") on July 2, 2019 recommending commencement of a separate Planned Outage Substitution Obligation ("POSO") Enhancements Initiative. The Six Cities strongly support PG&E's recommendation to establish a dedicated initiative to address the difficult challenges associated with the planned outage management process. A separate initiative on planned outage management will facilitate a more focused and detailed consideration of the issues arising from that process and potentially allow those issues, or at least some of them, to be addressed more promptly than at the conclusion of the overall RA Enhancements initiative. Although modifications to the planned outage management process obviously must be coordinated with other aspects of the RA Enhancements, planned outage management is an

especially difficult element of the RA program that will benefit from a parallel but separate, dedicated initiative. The Six Cities urge the ISO to commence an initiative focused on planned outage management immediately and, as the Cities have recommended in previous comments, to conduct a comprehensive review of all aspects of planned outage management.

- Please provide your organization's feedback on the *RA Import Provisions* as described in *Section 5.1.6*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the proposal to require (1) specification of the Source BAA for RA imports on RA and Supply Plans for monthly showings and (2) supporting documentation demonstrating that a non-specified RA import resource is supported by firm energy and operating reserves, as described at pages 44-45 of the Revised Straw Proposal. With respect to the required documentation for RA import resources, the Six Cities note that some imported resources may be associated with legacy contacts that do not include express provisions as to support by firm energy and operating reserves. Although the ISO has also suggested that an attestation from the RA import provider may be acceptable as alternate documentation, the Six Cities urge the ISO to work with stakeholders to develop options for documenting compliance with this requirement. Additionally, the Six Cities request that the ISO provide more clarity regarding the identification of non-specified and specified RA import resources. The Six Cities also support the ISO's proposal to maintain current bidding rules and Must Offer Obligations for RA imports as described at pages 46-47 of the Revised Straw Proposal.

- Please provide your organization's feedback on the *Maximum Import Capability Provisions* as described in *Section 5.1.7*.

Six Cities' Comments: The Six Cities do not support the ISO's proposal to continue to determine the amount of Maximum Import Capability ("MIC") available based on historical usage during high load periods. There are numerous factors that have nothing to do with the ability of the transmission system to support imports that may have affected historical usage of import paths, including, for example, weather conditions in areas outside the ISO or hydro availability outside the ISO. Any factor that limited availability of supply outside the ISO BAA could have reduced imports to the ISO, and therefore the historical usage of import paths, for reasons having nothing to do with the transfer capability of the transmission system. Table 8, at page 49 of the Revised Straw Proposal, shows fluctuating and often declining amounts of MIC based on import data. It seems unlikely that the fluctuating amounts, especially the declines, are attributable to decreases in transfer capability of the transmission system. Calculation of MIC should be forward-looking and should reflect the ability of the transmission system to support imports into the ISO BAA under reasonably anticipated system conditions. It is non-sensical and counter-productive to not recognize available import capability simply because it has not been used in prior years during the periods on which the MIC calculations are based.

At this time the Six Cities do not support the proposal to auction all available MIC above the amounts reserved for ETCs, TORs, and Pre-RA Import Commitments. Although the Cities appreciate the ISO's attempts to address the issues associated with the load ratio based allocation process (e.g., inability of small LSEs to obtain amounts of MIC on popular import paths sufficient to support RA contracting), it seems likely that an auction process would continue to place small LSEs at a disadvantage. Moreover, depending on the implementation details of the auction process, it may create opportunities for gaming and/or continue to permit retention of MIC that is not used to support RA contracts. If an auction process is implemented, however, participation in the auction process should be limited to LSEs. The MIC concept applies only in the context of importing RA resources, and only LSEs are subject to RA requirements. Financial speculators should not be permitted to profit from a MIC auction. And although external resources might have a reasonable basis for procuring MIC to support a sale of RA capacity to LSEs within the ISO BAA, allowing external resources to participate in a MIC auction could drive up costs or limit procurement options for LSEs.

The Six Cities request that the ISO evaluate whether imposing a MIC requirement is necessary at all or, alternatively, whether it is necessary to require a MIC allowance to support all RA imports all of the time. Recognizing that RA resources can be relied upon to support system reliability only to the extent they are deliverable when needed, might there be a less complicated and/or less restrictive approach to ensuring deliverability for RA imports? For example, it may be appropriate to establish a limit on RA imports at each scheduling point and post a monthly listing of the limits and the RA imports previously shown for delivery at each limited point. This would provide greater visibility with respect to import capability committed to RA imports and improve the utilization of import capability to support RA contracts.

In summary, please provide your organization's position on System Resource Adequacy (Section 5.1). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Comments: Given the scope of Section 5.1 of the Revised Straw Proposal, it is not possible to provide a meaningful summary of the Six Cities' position with respect to the entire section. As indicated in the comments above on various sub-sections, the Six Cities support some aspects of the ISO's proposals, at least on a preliminary basis, do not support or are opposed to other elements, and are uncertain with respect to others.

2. Flexible Resource Adequacy

- Please provide your organization's feedback on the *Identifying Flexible Capacity Needs and Requirements* as described in *Section 5.2.1*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the approach

for identifying flexible capacity needs as described in Section 5.2.1 of the Revised Straw Proposal. The Six Cities request that the ISO provide, in its next proposal, additional details regarding the minimum requirements for resources to meet the revised Flexible RA requirements.

- Please provide your organization's feedback on the *Identifying Flexible RA Requirements* as described in *Section 5.2.2*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the approach for identifying Flexible RA requirements as described in Section 5.2.2 of the Revised Straw Proposal. As noted immediately above, the Six Cities request that the ISO provide additional details regarding how resources will meet these revised requirements.

- Please provide your organization's feedback on the *Setting Flex RA Requirements* as described in *Section 5.2.3*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the approach for setting Flexible RA requirements as described in Section 5.2.3 of the Revised Straw Proposal.

- Please provide your organization's feedback on the *Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility* as described in *Section 5.2.4*.

Six Cities' Comments: At this time the Six Cities are not able to express a position with respect to the proposed eligibility requirements to provide Flexible RA, because there appear to be inconsistencies with the proposed requirements. The eligibility criteria at page 62 of the Revised Straw Proposal appear to exclude Variable Energy Resources, but the Effective Flexible Capacity ("EFC") counting rules discussed at page 63 explicitly contemplate that solar resources will have an EFC rating. With respect to import resources, the discussion at page 64 indicates that the ISO will allow imports to provide EFC up to the UCAP of the resource, but the Revised Straw Proposal at page 44 states that UCAP will not apply to non-resource-specific RA imports. Further explanation and clarification are necessary for evaluation of the proposed eligibility and counting rules.

- Please provide your organization's feedback on the *Flexible RA Allocations, Showings, and Sufficiency Tests* as described in *Section 5.2.5*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the approach for Flexible RA allocations, showings and sufficiency tests as described in Section 5.2.5 of the Revised Straw Proposal.

- Please provide your organization's feedback on the *Flexible RA Must Offer Obligation Modifications* as described in *Section 5.2.6*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the proposed Must Offer Obligations for Flexible RA capacity as described in Section 5.2.6 of the Revised Straw Proposal.

In summary, please provide your organization's position on Flexible Resource Adequacy (Section 5.2). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Response: It would be most consistent with the comments above to state that at this time and on a preliminary basis, the Six Cities support with caveats the proposal on Flexible RA described in Section 5.2. The caveat at this point relates to the need for further clarification and explanation for proposed eligibility criteria and EFC counting rules as noted in the comments above on sub-section 5.2.4.

3. Local Resource Adequacy

- Please provide your organization's feedback on the *Local Capacity Assessments with Availability Limited Resources* as described in *Section 5.3.1*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the approach for performing local capacity assessments as described in Section 5.3.1 of the Revised Straw Proposal. However, it is unclear to the Cities how the Local Capacity assessments will mesh with the UCAP approach to determining System RA requirements. The Six Cities request further explanation and clarification as to whether the different approaches for determination of System and Local RA requirements will affect eligibility, Must Offer Obligations, or availability standards for resources that may be shown for both System RA and Local RA capacity.

- Please provide your organization's feedback on the *Meeting Local Capacity Needs with Slow Demand Response* as described in *Section 5.3.2*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the proposed methods for meeting Local capacity needs with slow Demand Response as described in Section 5.3.2 of the Revised Straw Proposal.

In summary, please provide your organization's position on Local Resource Adequacy (Section 5.3). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Response: It would be most consistent with the comments above to state that at this time and on a preliminary basis, the Six Cities support with caveats the proposal on Local Resource Adequacy described in Section 5.3. The caveats at this point relate to the need for further clarification and explanation for how the UCAP approach for determining System RA requirements will interact with the proposed approach for implementing Local capacity requirements.

4. Backstop Capacity Procurement Provisions

- Please provide your organization's feedback on the *Capacity Procurement Mechanism Modifications* as described in *Section 5.4.1*.

Six Cities' Comments: On a preliminary basis and subject to evaluation of additional information that becomes available, the Six Cities support the ISO's proposal to expand the authority to make CPM designations for System UCAP deficiencies, inability to serve load in the portfolio deficiency test, and a need to procure Local RA after an area fails a local portfolio deficiency test as discussed in Section 5.4.1 of the Revised Straw Proposal. However, the proposed CPM designation order and order for allocating CPM costs as described at page 81 of the Revised Straw Proposal are unclear. Since there would be a direct link between System UCAP deficiencies and System NQC deficiencies, why would it be necessary to address System NQC separately? And what is the rationale for proposing to address Local portfolio deficiencies before Local NQC deficiencies and System portfolio analysis deficiencies after both types of Local deficiencies?

- Please provide your organization's feedback on the *Reliability Must-Run Modifications* as described in *Section 5.4.2*.

Six Cities' Comments: The Six Cities support elimination of the RAAIM. However, a performance mechanism is necessary for application to RMR resources to ensure that customers bearing RMR costs receive appropriate value. There should be further evaluation of whether it would be most appropriate to continue application of RAAIM only in the context of RMR resources or whether some other performance mechanism for RMR resources would be more effective or easier to apply.

- Please provide your organization's feedback on the *UCAP Deficiency Tool* as described in *Section 5.4.3*.

Six Cities' Comments:

Pending additional information and explanation regarding how the proposed UCAP Deficiency Tool would be implemented, the Six Cities take no position at this time with respect to that element of the Revised Straw Proposal. The Six Cities request that the ISO address the following topics and questions:

- At what point would the ISO determine that an LSE had provided more or less than its monthly System RA requirements? That is, would that determination be made at the time of the T-45 monthly showing or after the end of a month?
- When would the payment due to an LSE that showed more capacity than its monthly System RA requirements be determined?
- Please clarify how excess capacity will be treated when shown on an LSE's supply plan with regard to the UCAP tool. What happens if the ISO determines that the additional capacity is not needed? Will the ISO notify the LSE? Will the LSE be able to claw back the capacity?

- Please clarify how LSEs will be treated when providing excess capacity during the same months when they have scheduled a planned outage. The Six Cities request that the ISO specifically address the following scenario:

An LSE has a UCAP obligation of 100 MWs and shows 125 MWs of UCAP on its RA plan at T-45. The LSE is paid for the additional 25 MWs of UCAP above its obligation via the UCAP Deficiency Tool. The LSE learns at T+5 that it needs to take a planned outage in two weeks for a resource with a UCAP of 25 MWs. Does the LSE need to replace the 25 MWs since the LSE provided 25 MWs of additional RA capacity? Does the LSE get to keep the 25 MW UCAP Deficiency Tool payment? Is it prorated for availability? Does the obligation change if the LSE was NOT paid for the additional 25 MWs of UCAP above RA requirement?

- If an LSE showed resources in excess of its monthly System RA requirements at T-45 but experienced a forced outage of one of its resources during the month for which the showing was made, would the capacity shown in excess of requirements have any impact on the calculation of the forced outage rate?
- It appears the ISO is attempting to encourage LSEs to show additional supply on their plans with regards to the UCAP Deficiency Tool. However, it is unclear how planned outages will impact this process. The uncertainty of having a POSO or Must Offer Obligation when providing excess capacity may result in the LSE withholding capacity during planned outage months. The Six Cities request the ISO's feedback regarding this issue.
- Has the ISO evaluated whether and how the UCAP Deficiency Tool may have the undesirable effect of requiring LSEs to effectively over-procure reserves? For example, under the proposed Tool, will LSEs effectively be required to acquire one set of reserves to satisfy their RA obligations, and a second set of reserves to protect against penalties associated with planned outages?
- Would it be possible to construct the UCAP Deficiency Tool such that entities with excess capacity could submit an offer to transfer excess capacity to entities that may require capacity?
- Can the UCAP Deficiency Tool be set up so that it is only activated in the event of a Resource Adequacy deficiency?
- Will the ISO provide a mechanism to show or report the total uncommitted Resource Adequacy capacity on a month-ahead basis?

In summary, please provide your organization's position on Backstop Capacity Procurement Provisions (Section 5.4). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Response: As discussed in the comments above, the Six Cities support some elements of Section 5.4 of the Revised Straw Proposal and require additional explanation and clarification for other elements.

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Revised Straw Proposal.

Six Cities' Comments: During the July 8 and 9, 2019 meetings on the Revised Straw Proposal, several stakeholders asked whether it would be possible to satisfy some of the proposed requirements with the existing resource fleet. The Six Cities view the feasibility of satisfying a proposed requirement or group of requirements as a critical metric for evaluating the overall appropriateness of the enhanced RA program. Although it is a legitimate long-run objective of RA requirements to provide incentives for the development of future resources with desired attributes, in the short-run, LSEs must meet RA requirements with resources that exist now or can be expected to come on line in the next year or two. It is counter-productive to adopt RA requirements that LSEs cannot practically satisfy. Thus, a feasibility analysis is an indispensable element for every RA requirement under consideration.