

Western Power Trading Forum Comments on RA Enhancements Revised Straw Proposal Carrie Bentley - Gridwell Consulting for WPTF - Cbentley@gridwell.com

The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, storage developers, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Summary

WPTF appreciates the opportunity to submit comments on the CAISO's RA Enhancements Revised Straw Proposal and two-day meeting. There was a significant amount of material covered and much of the proposal is still in the early stages; therefore, WPTF will wait until the concepts have been developed further before deciding whether to support or oppose the different aspects of the proposal. Generally, WPTF supports the intent of the initiative and further asks the CAISO to consider if the flexible RA policy should be its own independent initiative and resolved through a stakeholder settlement. The original flexible RA rules, while eventually adopted in FRAC MOO, initially was designed and agreed to through joint efforts of the CAISO and IOUs¹. The backstop CPM was agreed to through a stakeholder settlement. It seems like a similar, inclusive, process may be helpful again. We discuss this and other main aspects of the proposal in detail below.

Detailed Comments

System RA Proposal

WPTF continues to support exploration of the UCAP methodology and anticipates ultimate support of the proposal will depend on the CAISO resolves the following key issues. WPTF also supports the CAISO exploring establishing a CAISO set-PRM and maintaining RAAIM as reasonable alternative to UCAP.

1. **Coordination with the CPUC.** The CAISO has noted that ideally the CPUC and other Local Reliability Authorities would set an initial requirement for their load-serving entities (LSEs), but that it was not a requirement for the CAISO to move forward with the UCAP proposal. WPTF believes that RA planning requirements should also be transparent, easily transacted, and procurable in the annual process – and thus should not be imposed solely through CAISO backstop processes. WPTF believes that coordination with the CPUC's RA program is vital for UCAP to succeed.
2. **Forced outage counting.** It appears that the CAISO is having issues accessing forced outage data for resources. If LSE's are going to have to procure additional capacity based on historical forced

¹ Appendix 1, Joint Parties' Proposal;
<http://www.caiso.com/Documents/StrawProposal%E2%80%93FlexibleResourceAdequacyCriteriaMustOfferObligation.pdf>

outages of their procured RA resources, the CAISO must be able to reliably track and make transparent individual resource forced outage rates.

On the resource counting methodology, WPTF still is unclear whether the CAISO is proposing an EFOR or EFORd methodology and asks that this is made explicit in the next draft. It is WPTF's understanding that the difference is whether the CAISO is proposing to assess forced outage rates when a resource has been scheduled in the energy market or whether forced outages are assessed regardless of whether the resource is in-service. WPTF notes that the formula on slide 32 uses the standard IEEE formula, which uses "service hours" and therefore implies an EFORd methodology. That is, the CAISO is calculating the effective forced outage rate during in-service hours where the resource was needed. That same slide; however, states that this is an EFOR calculation. It is an important distinction because this aspect of the methodology in particular will impact the UCAP value for resources with low capacity factors – which is much of the CAISO fleet.

Finally, WPTF notes that Powerex in their last comment set² also proposed an alternative UCAP resource value and requirement and WPTF supports the CAISO evaluating this option as an alternative to the IEEE formula.

3. **UCAP Requirement.** WPTF looks forward to the CAISO furthering their proposal on how to set UCAP requirement and explaining more clearly how the 109% was derived. Additionally, WPTF supports the CAISO creating a UCAP requirement that would accommodate all forced outages, not just the ones that are not associated with RAAIM penalties. While it is appropriate to have exceptions for penalties when a generator is not at fault, that same logic should not apply to planning standards. Regardless of the reason for the outage, the CAISO must plan around not having the expected capacity. Therefore, WPTF supports all forced outages being included in both the UCAP requirement and the EFOR(d) methodology.

Finally, as we noted during the stakeholder meeting, even if the supply side of the UCAP equation is challenging to provide at this time, the proposed UCAP requirement uses public CEC numbers. WPTF asks that the CAISO provide stakeholders with specific values for comment and comparison against the current system RA values.

4. **Local/System/Flexible overlap.** One the biggest gaps in the proposal (as acknowledged by the CAISO) is how the three existing RA products would overlap with each other. For example, if the CAISO does not develop a UCAP requirement for local areas, then local would continue to be evaluated solely on the basis of NQC and presumably would still require RAAIM to ensure sufficiency in the area during forced outages. Whether the UCAP methodology is feasible will depend on whether the CAISO is able to develop a local UCAP requirement or propose a reasonable way for local and system to be considered separately. WPTF also notes that it is unclear whether the CAISO will do any assessment either within UCAP or maintain RAAIM to capture flexible RA's obligation to economically offer into the market rather than self-schedule.

² <http://www.caiso.com/Documents/PowerexComments-ResourceAdequacyEnhancements-StrawProposalPart2.pdf>

5. **Portfolio Analysis.** The CAISO describes the portfolio test within the system RA section of the presentation, but one of the main purposes appears to test whether the fleet can meet load following requirements and ability of the fleet to meet net load. WPTF asks whether the CAISO's intent is to solely backstop to this test for system resources or if they would potentially require flexible resources based on the results.

WPTF requests that prior to seeking FERC approval, the CAISO test their portfolio analysis proposal using the IOOC tool and a prior 2019 RA month so that the CAISO and stakeholders can evaluate the tools usefulness and remedy any gaps ahead of implementation. As noted in our prior comments, there appear to be some inconsistencies in CAISO's description of how the portfolio analysis would work. WPTF strongly supports testing in advance of tariff development.

RA Imports

WPTF appreciates the CAISO continuing to evaluate the role of imports in the RA program, especially in the context of WECC-wide capacity tightening. WPTF does not support the CAISO's proposal to adopt and codify provisions similar to current CPUC RA program rules for RA imports to provide firm monthly delivery³, but also is unsure whether the CAISO understood what the CPUC meant by firm monthly delivery at the time the RA presentation and straw proposal were drafted. At the System Market Power meeting on July 15, 2019 (after the RA meeting was held), Michele Kito from the CPUC clarified that by firm monthly delivery, the CPUC meant they intend to establish rules to require all RA import contracts to require self-scheduling. **WPTF strongly opposes any policy or rule that would require RA imports to self-schedule.** It is our understanding that the CAISO also opposes such a rule because self-schedule only exacerbates net load curve management issues. Therefore, WPTF requests the CAISO both clarify their position to the CPUC and to stakeholders.

Flexible RA

As noted above, WPTF supports the CAISO evaluating whether it would be beneficial to move the new flexible RA products to a separate track either within or outside the RA Enhancements initiative. In order to develop the current flexible RA rules, the three IOUs and CAISO within a CPUC proceeding developed the Joint Parties' Proposal. Given that these flexible RA are still in place, but were (1) intended to be interim rules, and (2) have not been updated despite the CAISO having an open FRAC MOO 2 initiative over 4-years; WPTF asks the CAISO to consider allowing stakeholders to work together to develop a proposal that meets both CAISO criteria and stakeholder needs. A stakeholder settlement worked well to develop the current CPM backstop rules and a similar process may work for flexible RA as well.

WPTF agrees with the comments made by PGE during the July 9 meeting and that the net load definition should be reconsidered given the increasing flexibility and economic offers seen by wind and solar resources. If the CPUC requires RA imports to self-schedule into the CAISO market, imports, not renewables, could be the main driver of the need for operational flexibility in real-time. Ultimately, WPTF supports a flexible RA paradigm that ensures the most flexible resources remain on the grid and are built going forward and puts pressure on inflexible resources to not get contracted and ultimately retire. In order to accomplish California's ambitious GHG reduction goals, ultimately every resource on the grid will need to economically offer into the market and be fully dispatchable by the CAISO.

³ RA Enhancements Presentation, Slide 79.

Finally, WPTF notes that the CAISO paused FRAC MOO 2 due to the overlap in the flexible RA product and the DA Enhancements initiative. The DA Enhancements initiative has not concretely moved forward with any proposal and since the flexible RA proposal should work with the new day-ahead market, it still seems premature to move forward too far with the CAISO's current flexible RA proposal.

WPTF appreciates CAISO consideration of these comments.