

# Western Power Trading Forum Comments on RA Enhancements Third Revised Straw Proposal

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## 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 Third Revised Straw Proposal and two-day meeting. There was a significant amount of material covered and WPTF appreciates the progress the CAISO has made with regards to further developing the proposal concepts. WPTF continues to directionally support the initiative but believes two elements of the proposal should be removed at this time. First, WPTF again asks the CAISO to consider if the flexible RA policy should be its own independent initiative. Secondly, WPTF does not support the Operationalizing Storage element of the CAISO's proposal. Given the end of hour state of charge being proposed in ESDER 4, WPTF believes the market incentives already align with the must offer obligations and there is no need for this element of the proposal.

Additionally, WPTF strongly urges the CAISO to consider changes to the RA program that would help simplify this already complex market design element. For example, the CAISO could move away from a monthly to an annual or seasonal construct whereby there would be one or two requirements and showings per year rather than monthly requirements and showings.

## Detailed Comments

### System RA Proposal

WPTF continues to support the UCAP methodology and appreciates the CAISO's progress made to date on this change to the RA program. The comments below focus on certain elements of the RA proposal about which WPTF has additional questions and/or concerns.

1. **Must Offer Obligations.** The intent of Resource Adequacy is to ensure the CAISO has sufficient capacity available in its market to meet system peak conditions in both the day-ahead and real-time market. WPTF understands that the CAISO is proposing to eliminate the existing real-time Must Offer Obligation (MOO) and instead place a real-time MOO only on resources that are awarded in the day-ahead market. For this to work, that then assumes the day-ahead market can anticipate real-time conditions, and uncertainty around forecasted conditions, such that the right quantity of capacity in the right locations are awarded and thus must offer into the real-time market. WPTF has some concerns regarding this assumption that we believe warrant additional discussion.

The day-ahead market is potentially undergoing significant changes. While we understand the CAISO is consistently coordinating between this initiative and the DA Market Enhancements initiative, there are still unknowns that can greatly impact the effectiveness of using the day-ahead market awards to create the real-time MOO. For example, if the imbalance reserve product being developed in the DA Market Enhancements is procured zonally, there is no guarantee that energy from that capacity is deliverable and therefore accessible by the market. WPTF would like some more certainty around how well the day-ahead market can and will set up the real-time MOO to meet real-time needs such that there are no unintended reliability risks that would arise from eliminating the real-time MOO as set up today. Getting this certainty, however, is infeasible until the DA Market Enhancements initiative is finalized, implemented, and tested. Thus, WPTF believes it is not possible to fully assess the proposal for limiting the real-time MOO to day-ahead awards until the DAME initiative has concluded.

2. **Planning Reserve Margin.** WPTF appreciates the additional explanation on how the UCAP requirement has been derived. As discussed during the stakeholder meetings, WPTF is concerned that there is a potential overlap between the operating reserve requirement and the way the CAISO is setting the UCAP requirement. We would appreciate additional details in the next iteration that clearly explains why there isn't a double counting or overlap issue.
3. **UCAP.** The CAISO has provided stakeholders with a UCAP formulation that can generally be applied to all resources. However, as highlighted during the stakeholder meeting, WPTF believes additional thought should be given to how this formula will be applied to storage resources, specifically ensuring that the outage element of the formula accurately captures the unavailability of the resource without over or under penalizing the resource via UCAP. Additionally, the CAISO has proposed a method by which it will determine a UCAP value for resources that do not have 5 years' worth of GADS data; the proposal includes calculating a class average availability factors based on data for similarly designed resources. Here again, WPTF believes additional discussions are warranted on if/how this should be applied to storage resources where the quantity of existing similarly designed resources on which to base the class average is minimal. Lastly, WPTF would like to better understand the implications of the proposed UCAP penalty structure. Any penalty structure should be designed in such a way to appropriately penalize/reward resources; to further assess the proposed design, WPTF asks that the CAISO provide detailed examples that cover a variety a feasible scenarios – including the extreme examples such as 1 MW of over-procurement being awarded from others under-procuring.

### 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. Given California's reliance on imports, WPTF believes it is extremely important that we get this issue right. WPTF looks forward to working with the CAISO and CPUC on this issue in Track 1 of the RA proceeding in the coming months.

WPTF appreciates CAISO consideration of these comments.