California ISO

Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements working group on June 10, 2020. The stakeholder call 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 **June 24, 2020**.

Submitted by	Organization	Date Submitted
Grant McDaniel *(530) 300-3562*	*Wellhead*	*06/24/2020*

Opening comments

- The CAISO has stated that the goal of the UCAP proposal is to incentivize resource owners to maintain their facilities and ensure the CAISO has adequate capacity to reliably run the system notwithstanding any forced outages. Unfortunately, the proposal is not grounded in that goal. For example:
  - The proposal is overly complex and any intended incentives are lost in it.
  - The proposal penalizes forced outages equally regardless of whether they result from (i) a lack of maintenance and circumstances likely to repeat themselves or (ii) one off and irregular occurrences equally.
  - The proposal provides one option that new resources would be given a class average UCAP. Thus, potentially penalizing new resources regardless of their maintenance practices.
- Increasing the Planning Reserve Margin solves many of the issues the CAISO is seeking to resolve and would do so without causing major disruptions in the RA market.
- To the extent the UCAP program is adopted, Wellhead will support it if the CAISO remains committed to the principles state below:
  - Forced Outages caused by circumstances beyond the point of interconnection ("POI") are without question outside the scope of UCAP derates.
  - Forced Outages caused by circumstances inside the POI may be considered for UCAP derates, provided that:
    - Resources will be allowed to seek an exemption for certain forced outages that:

- Are unique and not the result of failure to properly maintain the resource;
- The forced outage is significant in time (this will ensure that exemptions are not sought for every forced outage).

- Resources must have the ability to earn a 100% UCAP (UCAP = NQC)
  - New Resources should be assumed to be at 100% available unless and until proven otherwise.
- The UCAP should be a standalone value and not become the resources NQC.

1. Production Simulation: Determining UCAP Needs and Portfolio Assessment

Please provide your organization's feedback on the Production simulation: Determining UCAP needs and portfolio assessment topic as described in slides 4-15. Please explain your rationale and include examples if applicable.

Wellhead supports the CAISO's proposed methodology for the portfolio assessments.

2. Transitioning to UCAP Paradigm

Please provide your organization's feedback on the transitioning to UCAP paradigm topic as described in slides 16-19. Please explain your rationale and include examples if applicable.

Wellhead supports option 2 for integrating unforced capacity outages into the RA program.

Option 2 should be adopted because NQC would still represent the full capacity. Doing so will allow the CAISO to set the MOO equal to NQC. The NQC then becomes the upper limit of the resources UCAP. Contracts between LSE's and resource owners are protected because the payment mechanisms of most proforma RA contracts are tied to NQC. Thus, the contractual obligations remain the same, even if the value is diminished due to UCAP.

Option 1 should not be adopted because a resource's MOO should be the resources full capacity. If the NQC represents derated capacity then the MOO will also be derated.

Additionally, Option 1 exposes the entire RA fleet to contractual risks because of a devaluation of a resources NQC. This is particularly troublesome because the intent is that the resource would continue to operate and be available to the same degree it was prior to its UCAP derate, but its payments would be unjustly reduced.

3. Unforced Capacity Evaluations

Please provide your organization's feedback on the unforced capacity evaluations topic as described in slides 20-59. Please explain your rationale and include examples if applicable.

Wellhead supports the alignment of BA to RC outage classifications, provided that the opportunity outage classification does not materially change the hours available for resources to take opportunity outages under the current paradigm.

Wellhead does not support that an outage that occurs outside of the resource POI counting as a Forced Outage subject to UCAP. Any incentives to maintain the transmission or distribution system must rest solely with the owner/operator of those systems.

Wellhead believes that the proposed annual exemption process should include a pathway to cure large events which are non-reoccurring in nature and can be shown to be outside of the control of the resource owner/operator. Carrying the financial burden of the impact to UCAP from a large outage for 3 years that was neither foreseeable nor controllable has the ability to bankrupt even the best projects. Allowing for a very narrow exemption process can ensure that reliability incentives are maintained without introducing draconian penalties. In order to keep the universe of outages that will apply for exemption manageable, Wellhead proposes:

- The particular outage the resource is seeking to exempt from UCAP consideration is large enough to cause a 10% reduction in the resource's seasonal UCAP
- Each resource will be limited to one exemption application per year
- The application must include an evaluation and affidavit from a third-party independent engineer that the root cause of the outage could not have been controlled by the resource owner/operator and is not reoccurring in nature.

Examples

- Utility rules/code defect - Facility generator step-up transformer was destroyed due to a short circuit which was caused by failure of a small potential transformer (PT) used for measurements.
    - This is an example that occurred in a non-CAISO area where fuses were not allowed by rule to be installed on PTs due to a concern that they could influence metering accuracies. The specific utility rules were re-written after this occurrence, but it shows that best engineering practices are an evolving art and in this case the resource was prevented "by rule" from having adequate protection.
- Unknown material defect - Gas turbine destroyed by material defect which caused the failure of a compressor blade. Failure analysis was able to trace the failure to a specific batch of blades. Resource owners of the other units containing the faulty blades were notified and blades were changed out before they could cause a failure.
    - If a resource had received the notification, usually in the form of a service bulletin or alert, but failed to act and the unit failed, then it would have been controllable and would not qualify for exemption.

a. Please provide your organization's feedback on the UCAP methodology: Seasonal availability factors topic as described in slides 27-46. Please explain your rationale and include examples if applicable.

Wellhead is generally supportive.

Wellhead supports option 2 for new resource UCAP counting. Resources should never be penalized for the poor performance of others.

b. Please provide your organization's feedback on the UCAP methodologies for non-conventional generators topic as described in slides 47-59. Please explain your rationale and include examples if applicable.

Wellhead does not support the UCAP calculation considering any SOC constraints for storage resources. Biddable parameters such EOH SOC, which is still under development, should not be observed if doing so could lead to a reliability shortfall. This should be addressed in the ESDER initiative.

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Enhancements working group discussion.