



Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy Enhancements Straw Proposal Part 1 that was published on December 20, 2018. The Straw Proposal Part 1, 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 February 6, 2019.

Submitted by	Organization	Date Submitted
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Please provide your organization’s comments on the following issues and questions.

1. Rules for Import RA

Please provide your organization’s feedback on the Rules for Import RA topic. Please explain your rationale and include examples if applicable.

2. RAIM Enhancements & Outage Rules

- a. Please provide your organization’s feedback on the Addressing Planned and Forced Outage Issue topic. Please explain your rationale and include examples if applicable.
- b. Please provide your organization’s feedback on the RAIM Enhancements topic. Please explain your rationale and include examples if applicable.

Variable Energy Resources (VERs) are among the resources currently exempt from RAIM for provision of “generic” Resource Adequacy (vs. Flexible RA), per CAISO tariff Section 40.9.2. The VER exemption (along with the others) was discussed at considerable length during the stakeholder process leading to the CAISO’s Standard Capacity Product (SCP) framework, along with what was then called (among other things) the Availability Standards and Incentives (ASI) mechanism.

These exemptions were only included in the SCP framework after detailed and careful consideration by the CAISO in that process. The VER exemption specifically was included because the CAISO determined that there were already significant economic incentives for high VER availability and performance, including:

- **Power Purchase Agreement (PPA) incentives:** Virtually all VER PPAs provide no payment at all when energy is not produced.
- **NQC implications:** VER Qualifying Capacity (QC) and Net Qualifying Capacity (NQC):
 - Are determined considering Availability Assessment Hours (AAH) set by the CAISO each year based on times of greatest need; and
 - Were calculated on a resource-specific basis until recent CPUC adoption of an initial ELCC-based QC methodology. The prior “Exceedance” approach determined QC (and NQC) using a calculation reflecting actual performance of individual resources, thus already accomplishing one improvement that the CAISO is considering in this initiative for other resources (i.e., adjusting resource NQC to reflect performance), and the CPUC clearly signaled its intent to examine a more granular approach in the future.

The CAISO proposes in this initiative to examine all the current exemptions – including those for VERs – in light of an event-based “trigger” approach and other RAIM improvements under consideration. The Straw Proposal (Section 4.2.2) states that these exemptions:

- **“Add to the complexity of RAIM,** causing a resource SC to determine if an outage is exempt and/or if they need to find substitute capacity for a given outage.
- **“Degrade the effectiveness of the mechanism itself** as resource SCs try to be either exempt outright or find ways to classify outages as RAIM exempt and not subject to replacement capacity.”

The Straw Proposal proposes to limit exemptions (and the need for substitute capacity for forced outages” under RAIM going forward) to “to outages approved by the ISO or those that come as a result of a transmission outage, either forced or approved by the ISO.” However, the proposal states that, “The ISO will consider extending current exemptions so long as the resource can demonstrate that it is subject to a similar performance obligation tied to ISO operational needs.”

EDF-R’s comments below: (1) Respectfully disagree with the CAISO’s characterization of the impacts of the current exemptions; but (2) explain that, even if those impacts are as described, the factors that led the CAISO to grant the VER exemption in the first place should still apply. In the absence of some evidence that the current incentives have not been effective in motivating VER availability and/or performance, the CAISO should not impose the considerable and onerous RAIM requirements on this new and large class of resources.

Whether the VER exemption adds to RAAIM complexity

Most obviously, exempting VERs from RAAIM, including the need for substitute capacity, simplifies the mechanism. The exemption is clearly stated, and there is no confusion among Load-Serving Entities (LSEs) or suppliers about whether the mechanism applies – it simply does not.

On the contrary, revoking the VER exemption will require inclusion of many, many more resources in RAAIM and thus greatly add to the current complexity.

Whether the VER exemption degrades RAAIM effectiveness

The short answer is no – exempting some resources from RAAIM for legitimate reasons does not “degrade” its effectiveness for other resources per se, or prevent the CAISO from making other improvements to RAAIM for applicable resources.

Moreover, EDF-R believes that the CAISO’s larger objective should be to encourage RA Resource availability and performance, not to increase the “effectiveness” of RAAIM for its own sake. The Straw Proposal cites no evidence demonstrating that the current incentives for VERs have not been effective in promoting high availability and performance; in the absence of such evidence, widening RAAIM applicability through revoking VER exemptions seems to be a problem in search of a solution.

Continuing applicability of VER exemption reasons

The reasons that VERs were exempted from RAAIM still apply generally.

First, VER PPAs continue universally to be volumetric-only, i.e., VERs are not paid at all if they are not available and do not produce all that they can. This complete lack of payment is much more of a penalty than will ever be imposed for non-availability or performance under CAISO incentive mechanisms, and it operates in all hours of the day and year – including (but not limited to) during any contemplated “trigger” events when CAISO needs are high.

Second, the ELCC methodology adopted by the CPUC is clearly only interim in nature, and the Commission very specifically stated its intent to change it in the future. The ELCC method applies a uniform QC calculation to all VERs by fuel type, regardless of performance, but that methodology – adopted after approximately two years of regulatory proceedings and workshops – included several compromises in the interest of finally implementing the methodology and is only intended as a first step. CPUC D.17-06-027 stated at pp.20-21:

...We are not directing the use of a particular model for future ELCC determinations. At this initial implementation stage of ELCC, it is too early to determine the ideal model to use, and we want to allow flexibility going forward to allow the most appropriate model to be used.

...Going forward, the process used to calculate monthly ELCC values will be subject to changes, improvements and refinements as needed.

Further refinements – e.g. by project vintage or geographic location – have been discussed in CPUC proceedings and workshops on ELCC, and they will likely be considered in the future. The CAISO should not make major changes to RAAIM applicability before the CPUC methodology is further developed.

Third, while VER availability and performance incentives are high in all hours of the day and year, the CAISO already examines VER availability/performance only during AAHs and has complete authority over setting such hours; EDF-R itself does not believe that VER operators exert higher levels of effort during those hours but, to the extent that the CAISO believes this element to be important, it can adjust those hours to match expected system needs, including ramping considerations, local conditions, and other factors, without changing the framework overall.

Finally, as noted above, the lack of evidence indicating any VER availability or performance problems under the current incentive framework demonstrates that the existing incentives continue to be effective. The CAISO has enough work managing RAAIM for non-exempt resources and should not seek to expand this complicated mechanism to VERs in the absence of proof that it would improve RA reliability.

- i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

EDF-R does not believe that evidence provided thus far indicates that "triggers" will be effective in improving RAAIM performance. While ISO-NE may use them, the CAISO has yet to provide evidence that they have significantly improved resource performance in that area, much less that they would provide such improvement, for the CAISO – i.e., that they would be more effective than the current Availability Assessment Hour approach.

3. Local Capacity Assessments with Availability-Limited Resources

Please provide your organization's feedback on the Local Capacity Assessments with Availability-Limited Resources topic. Please explain your rationale and include examples if applicable.

4. Meeting Local Capacity Needs with Slow Demand Response

Please provide your organization's feedback on the Meeting Local Capacity Needs with Slow Demand Response topic. Please explain your rationale and include examples if applicable.

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements Straw Proposal Part 1.