Stakeholder Comments Template

RA Enhancements

This template has been created for submission of stakeholder comments on the straw proposal part two that was published on February 28. The paper, 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 March 20.

Submitted by	Organization	Date Submitted
Mike Whitney *mike.whitney@ncpa.com* *(916) 781-4205*	*Northern California Power Agency (NCPA)*	*3/23/2019*

Please provide your organization's comments on the following issues and questions.

NCPA believes CAISO's proposal to replace RAAIM with a less complex and less punitive mechanism to incent RA showings may have promise, but there are many outstanding questions and concerns regarding its overall structure and design. CAISO has a unique history of respecting the jurisdiction of California's Local Regulatory Authorities (LRAs), by allowing them to set their own counting criteria, and that mutual framework is approved by FERC. (see, e.g., Cal. Indep. System Operator Corp., 119 FERC ¶ 61,076, P 555). The partnership between CAISO and the LRAs has not only ensured that CAISO has had sufficient resources to maintain reliability, but also allowed the LRAs to pursue state and local policy goals. This is consistent with the Supreme Court's recognition of "the importance of protecting the States' ability to contribute, within their regulatory domain, to the Federal Power Act's goal of ensuring a sustainable supply of efficient and price-effective energy." Hughes v. Talen Energy Marketing, LLC, 136 S. Ct. 1288, 1300 (2016) (Sotomayor, J., concurring).

1. Review of counting rules in other ISO/RTO's

Please provide your organization's feedback on this topic, described in Section 4.1. Please explain your rationale and include examples if applicable.

While NCPA appreciates CAISO's summary of counting rules in other ISO/RTO's, NCPA does not believe that the practices in other ISO/RTOs should necessarily be imported into California based on the presumption that such reflect best practices. Each of the other ISO/RTOs have a different history and different circumstances that lead to the development of their framework for counting rules. In most cases, the designs adopted by the other ISO/RTOs were tailored for the individual circumstances of the system, and reflect the result of "grand compromise" among the applicable stakeholders. In California, we should not adopt frameworks that would hinder state and local policy goals by stripping (explicitly or implicitly) jurisdiction from LRAs to make RA decisions. NCPA objects to any infringement on the jurisdiction of its member LRAs.

2. Capacity counting and availability best practices

Please provide your organization's feedback on this topic, described in section 4.2. Please explain your rationale and include examples if applicable.

NCPA agrees that performance incentives should not be part of RAAIM since such incentives are already in use in other areas such as the CAISO Day Ahead and Real Time Markets.

NCPA notes that load-following metered subsystems (LF-MSS) already have strong performance incentives that are very well aligned with CAISO operational goals. LF-MSSs are required to balance their portfolio of load and supply within a tight compliance deviation band during every 5-minute dispatch interval, or be subject to significant financial penalties. These operating requirements and penalties provide a strong incentive for a LF-MSS to ensure it has adequate capacity available at all times to meet its real-time load serving obligations, and to take appropriate measures to ensure that capacity performs in real-time. NCPA strongly believes that the operating characteristics and incentives of the LF-MSS model already align well with the goals that CAISO has identified for this initiative, and as such, CAISO must recognize the unique operating characteristics of a LF-MSS as it considers changes to the existing RA rules and requirements.

3. RA counting rules and assessment enhancements

Please provide your organization's feedback on the following sub-section topics, described in section 4.3.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

a. Calculating NQC, UCAP, and EFC values topic, described in section 4.3.1.

In section 4.3.1 of the Straw Proposal, CAISO describes some potential issues with RAAIM, but NCPA questions whether CAISO's proposal meaningfully addresses those issues:

- While current RAAIM penalties may create a disincentive for market participants to show all RA capacity under contract to the CAISO, there are many reasons other than RAAIM penalties that will incent market participants to continue to only showing the required amount of RA to the CAISO. For example, as long as resource capacity shown to the CAISO as RA is subject to the MOO, as currently proposed in this Straw Proposal, market participants will limit their showing to the required minimum. Being subject to MOO significantly limits a generators flexibility to control how and when its capacity is made available to the CAISO markets. Most generating resources are complex machines, and maintaining the flexibility to control operations is critically important to owners. The MOO as currently enforced significantly impacts this flexibility. As long as there are obligations associated with RA that may alter the way a resource owner would prefer to manage the unit, LSEs that own or control those units will have an incentive to show the minimum. CAISO should not expect removal of RAAIM to completely change generation incentives.

- CAISO also seems to suggest that resources that are not subject to RAAIM do not have proper incentives to perform preventive maintenance on equipment. This assumption is simply not correct. Generating resources are very expensive investments; in many cases costing hundreds of millions of dollars. Regardless of RA requirements, and the associated rules that continuously change, owners of non-RA resources only profit when they are dispatched to provide energy or AS by the CAISO; thus resource owners have a very strong financial incentive to remain available. Not to mention various contractual obligations to bond holders or investors, to maintain resources in a way that maximizes availability, and to ensure the durability and life of the project.

- While the current rules are indeed complicated, market participants have already learned the rules and developed contracts that account for such requirements. The current proposal, while perhaps less complicated than RAAIM, will still involve significant complexity and it will take much time and effort to flesh out and implement in systems, process, procedures, and contracts after the rules are changed.

- While RAAIM does not consider a resource’s actual performance, the day-ahead and real-time markets provide performance incentives as do other CAISO market rules (as noted in Question 2, above). NCPA strongly believes that RA is not the tool for this concern.

NCPA requests CAISO to provide more information as to why UCAP should include forced outages that are outside of a resource owner’s control. The XEFORd seems more equitable.

NCPA believes that OMS should be used as the tool for measuring forced outages. NCPA would like CAISO to specify what OMS deficiencies would make GAADS a better record of forced outages. The Straw Proposal states that the current OMS outage cards may not adequately cover the different types of forced outages or reflect the types of forced outages that would be exempt from forced outage calculations. NCPA seeks additional explanation for what types of outage cards would be needed, and whether there are any barriers to modifying the outage cards to support this initiative.

NCPA asks CAISO to provide more detail for the proposed EFC formula where EFC = UCAP * (% of available capacity economically bid into the CAISO's market). EFC is currently a function of NQC, startup times, and ramp rates. Is CAISO proposing to eliminate such inputs? Please provide current and proposed examples of EFC calculations to assist in determining results of the proposed change.

b. Determining System, Local, and Flexible RA requirements topic, described in section 4.3.2. Please explain your rationale and include examples if applicable.

In general, NCPA is concerned with establishing requirements that are based on different measures and concepts related NQC vs. UCAP values. CAISO proposes to measure System requirements using UCAP, but continue measuring Local requirements using NQC. Since Local capacity also counts as System capacity, this approach would seem to create the risk of over procurement, and yet more complicated rules.

c. RA showings, supply plans, and assessments topic, described in section 4.3.3. Please explain your rationale and include examples if applicable.

NCPA believes that any MOO obligations should be based on the value of credit that is given for compliance purposes. For example, if a resource is only given credit for its UCAP value, the resource should only be subject to a MOO that is equal to such UCAP value. Forcing a resource to be available, and bid into the CAISO market based on a different measurement (e.g., NQC), will only create operational confusion, and will lead to over procurement and excess cost for ratepayers.

d. Backstop capacity procurement topic, described in section 4.3.4. Please explain your rationale and include examples if applicable.

Regarding CAISO's CPM authority, NCPA recommends maintaining the current multi-tiered approach, whereby CAISO first assesses the overall system, and only if CAISO determines there is a collectively deficiency in the amount of capacity shown to the CAISO, then CAISO may procure necessary capacity and allocate costs appropriately to individual LSEs or prorate to load (depending on the type of deficiency).

4. Review of RA import capability provisions

Please provide your organization's feedback on the following sub-section topics, described in section 4.4.

Please indicate any analysis and data review that your organization believes would be helpful to review on this topic. Please provide details and explain your rationale for the type of data and analysis that you suggest.

a. Maximum Import Capability Calculation review, described in section 4.4.1. Please explain your rationale and include examples if applicable.

NCPA has no comment at this time.

b. Available Import Capability Allocation Process review, described in section 4.4.2. Please explain your rationale and include examples if applicable.

NCPA requests for CAISO to ensure that Available Import Capability is allocated to entities that pay transmission charges before it is made available to other entities. NCPA is concerned there are multiple entities currently capitalizing off the transmission assets paid for by load, and are essentially able to do so free of charge.

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements straw proposal – part two.

NCPA appreciates the opportunity to submit comments for this proposal. Notwithstanding comments submitted for Part 1, NCPA is intrigued that this latest proposal does appear to offer a much improved and simplified RA offer incentive than RAAIM. However, CAISO must recognize that must offer obligations will also act as a disincentive for resources to show RA and should consider modifying the MOO. Alternative MOO and/or outage assessment hours could be in line with morning and evening ramps instead of across consecutive hours. Also, the MOO should be limited to UCAP rather than NQC in order to avoid over procurement at the expense of ratepayers.

CAISO must also take into account the history behind LRA jurisdiction, California specific counting rules and their relationship to California policy objectives and unique operational challenges. NCPA wishes to remind CAISO that the LFMSS model currently strongly aligns with CAISO's objective of real time reliability; and as such, many of the rules that apply to LFMSS entities today should be retained moving forward.

CAISO will also have to develop a means under this proposed framework for assessing the host of "credit" resources, such as energy efficiency resources and others, that the CPUC and other LRAs permit. Firm LD contracts, where permitted by the LRA, fall into this category. If CAISO is truly stating that it does not intend to interfere in LRA designation of such resources, it will need to determine how to fit them into its proposed framework. NCPA believes that these type of credits should be retained.

NCPA asks CAISO to reconsider using EFORd for UCAP and instead use XEFORd in order to exclude transmission induced outages and other events that are outside a resource owner's control from degrading capacity. This is critically important considering that it is highly likely that the major transmission owners will be engaged in extensive work over the coming years to address risks associated with wildfire. The new EFC formula is intriguing but NCPA is concerned that results may be skewed when looking at historical bids when a resource may have been operating under different requirements and rules set in the CAISO Tariff.

NCPA supports expanding voluntary CPM to daily granularity if substitution is still a requirement. For longer term CPM activity however, NCPA believes the current allocation steps are fair and reasonable and is concerned that modifying such rules may penalize LSEs with an allocation greater than their deficiency.

Overall, NCPA believes this proposal could have a great deal of potential, especially if it is revised to continue respecting LRA jurisdiction, and looks forward to working with CAISO explain some of its concerns or ideas and work out the details.