

# Stakeholder Comments

## Resource Adequacy Availability Incentive Mechanism Modification White Paper and Calculation Model issued on August 31, 2017

Submitted by	Company	Date Submitted
<i>Eric Little</i>	<i>Southern California Edison</i>	<i>September 15, 2017</i>

SCE herein provides comments on the Resource Adequacy Availability Incentive Mechanism (RAAIM) Modification White Paper (Proposal) issued on August 31, 2017.<sup>1</sup> SCE appreciates the recognition of the shortcoming and problems of the current RAAIM and the effort being made to correct the incentives for offering system or flexible capacity. The Proposal resolves many of the short comings of the current mechanism by removing the mega-watt hour basis in the calculation, however, it still calculates a worse of penalty when a resource provides both forms of capacity. As explained in more detail below, this creates different penalties which will impact the incentives for offering capacity types and may have unintended consequences.

1. The current proposal results in disparate outcomes for providing the same service.

Case 1a: Offers 100 MW as System and 100 MW as Flexible (200 MW total). They self-schedule the system resources and do not perform at all on the flexible resource.

Based upon the CAISO's penalty calculator, SCE has been able to demonstrate that it is possible for two different entities to provide the same reliability but to get different net penalties depending on whether they are using resources that provide only one of the two services or both from the same resource.

---

<sup>1</sup> <http://www.aiso.com/Documents/WhitePaper-RAAIMCalculationModifications.pdf>

In case 1a, suppose a Schedule Coordinator (SC) provides two resources to meet an RA obligation. The first resource is system/local only and provides 100 MW of capacity. The second is shown as a Flex RA resource and provides 100 MW of flex capacity. Now suppose that during the operating month, the SC self-schedules the 100 MW of capacity from the system/local resource meeting its system/local obligation in all hours but fails to bid the flex resource in any hour. The result is an incentive payment for the resource providing system/local and a penalty for the resource providing flex.

Case 1a	System Capacity Provided	Flexible Capacity Provided	Incentive Payment	Penalty Charge
System Capacity	100 MW		\$17,037	
Flexible Capacity		0 MW		\$357,777
Net Penalty				\$340,740

Case 1b: Offers 100 MW of combined System and Flexible. They self-schedule the resource but do not bid to provide flexible capacity.

In case 1b, an SC has a single resource capable of providing both system/local as well as flex for the same 100 MW quantity. During the month, the SC self-schedules the resource in all hours and as with case 1a, meets completely the system/local obligation in all hours but fails to meet its flex obligation in all hours. However, because the resource is a combined resource and because the CAISO evaluates on a “worse-of” basis, the resource is effectively not recognized for having provided system/local reliability. Instead, it receives no incentive payment but does receive the same penalty for its failure to provide flex. The net result then is to have a higher net penalty than the SC in case 1a while providing exactly the same reliability.

Case 1b	System Capacity Provided	Flexible Capacity Provided	Incentive Payment	Penalty Charge
Combined Capacity	100 MW	0 MW	\$0	\$357,777
Penalty				\$357,777

SCE believes that each service should be measured and compensated separately, such that the net penalty would result in consistency for each scenario by recognizing the reliability service that is provided for combined resources. This would mean that the CAISO would not apply the "worse of" performance metric for resources providing both system/local and flex but rather evaluate those performances separately and reward/penalize based upon their performance individually against the metric for the reliability service independently. This would then recognize any and all reliability obligations that are met or not met by any type of resource whether providing a single or multiple reliability elements.