Western Power Trading Forum Comments on the Regional Resource Adequacy Initiative

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WPTF appreciates the opportunity to submit comments on the Regional Resource Adequacy (RA) issue paper posted on December 09, 2015 and the meeting held in Salt Lake City on December 22, 2015.

WPTF supports the ISO's goal[1] of limiting the stakeholder process to "need to have items" for regional integration; however, notes that this is an opportunity for both regions to assess RA best practices and for the ISO to develop a long-term, cohesive vision for resource adequacy. The ISO's issue paper identifies the following seven items as potentially being within the scope of this initiative:

1. Make the ISO's RA related tariff language more generic so it can apply on a regional basis
2. Determine how to develop and publish the annual lists that identify the qualifying MWs of capacity associated with all resources
3. Update the ISO's default tariff provisions so the provisions reflect the most recent RA conventions and are sufficiently comprehensive that an entity could adopt them as its RA program if it desires
4. Decide how to do load forecasting and determine RA requirements under a regional organization
5. Possibly add new ISO default tariff provisions that determine how many MWs a resource can count towards meeting an RA obligation
6. Revise the methodology the ISO uses to determine the maximum MW amount of import capability on the various transmission branch groups in any expanded footprint
7. Add a provision to the ISO tariff to account for transfer capability constraints between large electric locations on electric system, i.e., "zonal constraints"

Summary of WPTF comments

WPTF provides comments on items 3 – 7 above as well as on the schedule timing. In summary, WPTF supports consistent rules across LRAs to every extent possible for the subset of resource adequacy rules that directly affect the reliable operation of the grid. The ISO should determine both a default methodology and in some circumstances determine standardized range of values that are acceptable from an ISO perspective to maintain grid reliability and prevent LRAs from leaning on other LRAs. WPTF believes this would include additional tariff provisions for (1) LSE's load forecast; (2) Resource's System, Local, and Flexible Qualifying Capacity (QC); (3) LSE's RA requirements and Planning Reserve Margin (PRM). Additionally, WPTF has some general questions regarding how the ISO might revise the RA

[1] Page 3, http://www.caiso.com/Documents/IssuePaper-RegionalResourceAdequacy

import rules. Finally, WPTF notes that the schedule proposes by the ISO for this initiative seems challenging given the scope.

Default provisions are necessary, but not sufficient to ensure equitable RA treatment across large geographic areas. WPTF supports the ISO's goal to create default provisions to set forth criteria for LRAs that have not established or provided certain criteria to the ISO. WPTF also supports going a step further and establishing standardized ranges or values for this criteria as well. This will ensure that LRA's cannot create criteria that enables their load serving entities (LSEs) to lean on other areas to provide grid reliability. Creating standardized qualifying capacity values will also simplify contracting for resources that contract with multiple LRAs and simply the ISO's internal RA processes.

- *WPTF asks the ISO to consider creating a standardized methodology for load forecasting.*
  WPTF is interested in hearing more from PacifiCorp and others on how their load forecasting is done and how similar it is to the CEC forecasting methodology. Further, WPTF supports the ISO developing a standardized methodology or principles (e.g. 1 in 10) for all LRAs.

- *WPTF asks the ISO to consider a local, system, and flexible qualifying capacity standardized value for all resources.*
  The ISO proposes to develop default Qualifying Capacity rules for use in the circumstance that an LRA does not provide the amount of capacity a resource may count toward their LSEs RA requirement. The ability for LRA's to provide differing values of RA for resources already causes some complication. Currently, in the circumstance where a resource has sold some capacity to one LRA and some capacity to another LRA- and these LRAs count the resource differently- the ISO must determine which Qualifying Capacity value to use. In this situation the ISO simply uses the highest qualifying capacity value. In the future, particularly with renewable resources, allowing resources to qualify as different amounts of RA may lead to additional complications and inequitable treatment between LSEs. WPTF supports consistent values, even if this requires a separate stakeholder initiative due to the technical and potentially contentious nature of developing these values.

- *WPTF asks the ISO to consider a standardized minimum Planning Reserve Margin (PRM).*
  The ISO must maintain a balance between allowing the LRA flexibility in determining their own resource adequacy program and ensuring grid reliability and equity. Currently the tariff allows LRAs to provide their own PRM- theoretically this value could even be negative. Therefore, WPTF proposes the ISO mandate a minimum PRM value as well as a default PRM value. One way to determine the PRM could be to look to the ISO's own assumptions regarding forced outages rates and load forecasting error. For example, using the 5.5% forced outage allowance under the ISO's RA Availability Incentive Mechanism and an assumed load forecast error of 7%, the ISO would mandate a minimum PRM of 12.5%.

- *WPTF asks the ISO to consider backstop RA provisions that determine cumulative shortages by LRA or newly created zone.*
  Currently, each month the ISO may backstop (procure additional capacity) under a Capacity Procurement Mechanism if there are cumulative local, system, or flexible capacity deficiencies in RA plans.[2] These costs will then be assigned to the deficient LSEs. The ISO determines a

[2] https://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM_for_Reliability_Requirements_V28_clean.docx

"cumulative deficiency" by aggregating all LSEs RA showings and comparing it to the aggregated requirements. For the system and flexible requirement, if an LRA in Southern California LSE exceeds their RA requirements and a Northern California LSE in a different LRA does not meet their requirements, as long as the total is greater than the requirement, the ISO may not procure additional backstop capacity and cannot assign the deficient LSEs the costs.

Currently, this is less of a concern as over 90% of the capacity is from a single LRA. Therefore if LSEs lean on other LSEs it is typically within a single LRA area. Additionally, the remaining LRAs are very small, so if they lean on the larger LRA, it is typically for a very small amount from the perspective of the total RA requirement. In the future, as the ISO expands, having a structure that innately allows leaning between LSEs and LRAs will likely reduce efficiencies and provide incentives for LSEs to not fully demonstrate RA sufficiency each month. From WPTF's perspective, it is extremely important for planning requirements to be strictly enforced by the CAISO in order to provide LSEs and LRAs the correct incentives to build and contract the optimal resource set in the short- and long-term.

<u>WPTF asks the ISO the following questions as they move forward with a methodology to determine maximum import capability.</u>

WPTF believes this is an important aspect of the initiative and at this time puts forth the following questions for consideration:

1. Will all the new interties points be eligible as RA points, as under the current system?
2. How much new RA intertie capacity will there be with PacifiCorp integration?
3. Does having a large increments of new RA intertie space create any new reliability issues?
4. Will the space for the new interties be allocated in the same manner as today?
5. How much, if any, of the RA intertie capacity is going to be grandfathered to the joining entity, and what are the market impacts of such grandfathering?

<u>WPTF asks the ISO to reconsider the fast timing of the initiative's schedule or to better justify the need for speed.</u> The ISO proposes to post a straw proposal on February 17, then proposes to move to a working group, and then to post the final draft proposal on May 4 in order to meet a June 28 – 29 BOG meeting. WPTF questions the feasibility of this schedule even under the circumstance that stakeholders agree there are no changes needed to the RA program. We note that the scope *does* include some significant changes; such as determining the maximum MW amount of import capability, creating zonal constraints, and possibly adding new default provisions on how much capacity a resource may count as RA. Given the proposed scope – which includes worthwhile and comprehensive changes to the RA program - WPTF is mostly just confused about the reasoning behind the June BOG deadline.