



## MEMORANDUM

Date: April 2, 2024

To: California Independent System Operator, Stakeholder Affairs

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Subject: CPUC Energy Division Policy Proposal for RAAIM

Staff of the California Public Utilities Commission in the Energy Division (CPUC Staff or Staff) develop and administer energy policy and programs to serve the public interest, advise the CPUC, and ensure compliance with CPUC decisions and statutory mandates. The CPUC Energy Division Staff provide objective and expert analyses that promote reliable, safe, and environmentally sound energy services at just and reasonable rates for the people of California.<sup>1</sup> Further, CPUC Staff advocate on behalf of California ratepayers at the Federal Energy Regulatory Commission (FERC), under whose jurisdiction the CAISO tariff falls.

CPUC Staff appreciate this opportunity to propose revisions to the Resource Adequacy Availability Incentive Mechanism (RAAIM).

### 1. Submission Title

Revisions to the Resource Adequacy Availability Incentive Mechanism (RAAIM).

### 2. Has this issue been previously submitted?

CPUC Staff have not previously submitted this request.

The Resource Adequacy Modeling and Program Design Working Group is currently considering potential alternatives to the RAAIM or additional mechanisms, such as an Unforced Capacity (UCAP) evaluation methodology that would account for historically unavailable capacity. CPUC Staff recommend the CAISO open a standalone initiative due to the large scope of the Resource Adequacy Working Group.

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<sup>1</sup> More information about the CPUC Energy Division is available at: <https://www.cpuc.ca.gov/about-cpuc/divisions/energy-division>.

**3. Issue Description: Briefly provide a description of the issue that the proposed initiative is intended to address.**

The Resource Adequacy Availability Incentive Mechanism (RAAIM) is meant to incentivize RA resources to provide their capacity to the CAISO market. However, the RAAIM hours for system RA resources are from 4 pm to 9 pm, Monday through Friday and do not include weekends. This means that RA system resources may not have sufficient incentives to be available on Saturday and Sunday, when stressed system conditions can occur (as happened in September of 2022). In addition, the RAAIM penalty is set at less than the Capacity Procurement Mechanism Price (\$6.31/kW-month). This price is too low to incent RA availability, especially during the summer months, when RA capacity prices are much higher. Thus, CAISO should consider shaping the RAAIM to a much higher price in the summer and possibly even higher during stressed system conditions. Currently the RAAIM is both a penalty mechanism for underperformance and an incentive mechanism for RA resources that perform above 95 percent of their RA obligation. CAISO should also consider whether this should continue to be a penalty and incentive mechanism or just a penalty mechanism and whether a 95 percent threshold is justified.

**4. Propose Initiative Description: To the extent possible, discuss proposed initiative scope.**

Please see discussion above.

**5. Business Justification: Does the proposed initiative support ISO strategic objectives or existing ISO initiatives? Identify parties potentially impacted by the proposed initiative. Is the proposed initiative in response to regulatory requirements?**

This fits into strategic objectives 1 and 2 by (1) increasing reliability and (2) strengthening resource adequacy. This could increase costs for generators, but increase reliability for load. CPUC Staff note that CAISO has an obligation to “[r]educ[e], to the extent possible, overall economic cost to [California] consumers.”<sup>2</sup>

**6. What elements of existing ISO market design do you propose to address?**

Please see discussion above.

**7. Timing and Urgency: Are there regulatory requirements for implementation dates, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?**

Given the importance of ensuring reliability and the importance of ensuring existing resource perform, CPUC staff believe that this is a time-sensitive issue.

**8. Data: Identify existing data and missing data needed to analyze the issue and develop solutions.**

CAISO staff would need to assess whether RAAIM has been effective and, if not, why not or, at the very least, develop metrics to evaluate the effectiveness of RAAIM.

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<sup>2</sup> Public Utilities Code § 345.5(b)(2).