



Comments of the California Energy Storage Alliance on the Resource Adequacy Enhancements Fourth Revised Straw Proposal

Submitted by	Organization	Date Submitted
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CESA's overall position on the RA Enhancements fourth revised straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

1. System Resource Adequacy

Please provide your organization's feedback on the System Resource Adequacy topic as described in section 4.1. Please explain your rationale and include examples if applicable.

CESA is supportive of the ISO's efforts to incorporate the unforced outage rate into the capacity valuation process for assets that seek to provide resource adequacy (RA) within CAISO's footprint. CESA understands that an estimation of dependability is necessary for the ISO to ensure the continuous and reliable operation of the electric grid. Nevertheless, CESA does not fully agree with the ISO's characterization of this issue.

In Section 4.1.1, the ISO states that further sufficiency testing is necessary due to the growth of use- and energy-limited resources providing RA. The ISO continues by saying that, given the increased share of energy- and use-limited resources, "some resource mixes provided to meet RA requirements may not ensure reliable operation during all hours of the day across the entire month".¹ CESA considers that this characterization is counterproductive. The need for increased portfolio-level testing is related to the growing complexity of the electrical system. The penetration of intermittent generators, demand-side resources, flexible loads, and use- and energy-limited resources is not a passing trend; rather, it signals the future composition of California's grid.

¹ Fourth Revised Straw Proposal at 9.

- a. Please provide your organization's feedback on the System RA Showings and Sufficiency Testing topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.

CESA is supportive of the ISO's proposal to use a stochastic modelling approach to identify potential portfolio deficiencies. Compared to a deterministic model, a stochastic approach allows for greater flexibility in assessing a wide set of generation and load conditions. This, in turn, would provide more robust results for the ISO to act upon.

CESA considers that the ISO's decision to only model RA resources is reasonable given the purpose of this analysis. Furthermore, this method of analysis could enable LSEs to be more aware of potential shortcomings in the RA market as a whole, incenting procurement for future cycles.

With regards to the ISO's decision to utilize the simulation tool currently employed for the Summer Loads and Resources Assessment process, CESA believes that this determination is viable and timely. The repurposing of an existing tool that has been examined previously by stakeholders allows for more expedited implementation of this proposal.

Finally, CESA is supportive of the ISO's consideration of loss of load expectation (LOLE) as the key reliability metric for these analyses. However, regarding the estimation of necessary capacity to cure deficiencies, CESA has concerns with the ISO's intention to establish upfront procurement requirements with a structure similar to the CPUC's maximum cumulative capacity (MCC) buckets. Any limitation for certain resources to provide RA, as similarly structured by the CPUC's MCC framework, could challenge the state's progress toward its decarbonization objectives. Instead, any procurement requirements should not be expressed in the form of resource or technology limits but be conveyed as performance attributes that can be met by any number of resources or technologies. In other words, CESA does not support the ISO's recommendation for specific resource mixes "most likely" to pass a sufficiency test, but rather that the ISO evaluate resource combinations based on a technology-neutral stance that considers whether and how any particular resource mix could meet sufficiency tests.

- b. Please provide your organization's feedback on the Planned Outage Process Enhancements topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.

CESA commends the ISO for revising its proposals relative to the planned outage process. As it was noted by several stakeholders in the prior iteration of this proposal, the options previously shared by the ISO could foment perverse withholding incentives among LSEs, further limiting the already tight bilateral RA market. Hence, CESA appreciates the ISO's new proposals and supports the application of Option 1.

CESA considers that Option 1 provides the correct incentives for LSEs to procure and plan ahead in order to minimize the risks related with planned outages. Moreover, by increasing the RA requirements of all LSEs in a proportional fashion, CESA believes Option 1 is the best positioned to signal in a timely manner the need for increased procurement for RA purposes. This, in turn, would further abate the risks of exceptional or unforced outages. CESA believes that Option 1 is in line with the principles that guide this ISO proposal as it rewards LSEs and SCs to plan ahead and act in a timely fashion. Likewise, operational data suggests that this option would not be particularly disruptive considering that currently the vast majority of planned outages occur during the off-peak months. CESA is thus supportive of the implementation of Option 1.

- i. Please provide your organization's feedback on when bids should be submitted and how and when they could be changed under Option 2: CAISO procures all planned outage substitution capacity, and what are the implications of doing so under any proposed option.

CESA is supportive of Option 1; hence, it does not offer comments regarding Option 2.

- ii. Please provide your organization's feedback on whether or not the Planned Outage Substitution Capacity Bulletin Board is necessary and, if so, why given the effort to develop and maintain.

CESA considers the application of Option 1 would generally obviate the need for the establishment of a Planned Outage Substitution Capacity Bulletin Board.

- c. Please provide your organization's feedback on the RA Import Provisions topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

CESA has no comment at this time.

2. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.2. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.2.1. Please explain your rationale and include examples if applicable.

CESA has no comment at this time.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.2.2. Please explain your rationale and include examples if applicable.

CESA offers no comments at this time.

- c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.2.3. Please explain your rationale and include examples if applicable.

CESA offers no comments at this time.

- d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.2.4. Please explain your rationale and include examples if applicable.

CESA supports this proposal with caveats. CESA believes that the proposed UCAP Deficiency Tool could incent the intended behavior in a context of general RA availability. As formulated by the ISO, the UCAP Deficiency Tool would reward LSEs that overprocure in terms of UCAP by assigning them a share of the penalties collected from LSEs that show below their UCAP requirements. CESA agrees with the ISO's argument that this tool could minimize leaning. Nevertheless, CESA still believes that the ISO should be vigilant of market power concerns. With an increasingly tight RA market there could be incentives to withhold generation regardless of the notion that all benefits would be shared among withholders. The ISO notes that revenue certainty for sellers and willingness to pay from buyers would be enough to guarantee the proper operation of this tool; however, this assumption is largely dependant on the ratio of withholders to deficient LSEs.²

In addition, CESA is not convinced that the tool is well positioned to deal with deficiencies in a context of tightening RA supply. As it can be seen in the Fourth Revised Straw Proposal, if all LSEs show less than their requirements and no LSE shows above, then the tool would not collect any penalties and all backstop procurement would fall to the ISO's CPM.³ This is essentially the status quo. While the UCAP Deficiency Tool is not designed to solve this issue, it does highlight the increased relevance of proper market signals for future procurement. Thus, CESA urges the ISO to consider, in parallel, other mechanisms that could incent said investments in a timely fashion.

3. Please provide your organization's feedback on the implementation plan, including the proposed phases, the order these policies must roll out, and the feasibility of the

² *Ibid* at 39.

³ *Ibid* at 41.

proposed implementation schedule, as described in section 5. Please explain your rationale and include examples if applicable.

CESA offers no comments at this time.

4. Please provide your organization's feedback on the proposed decisional classification for this initiative as described in section 6. Please explain your rationale and include examples if applicable.

CESA offers no comments at this time.