



Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on February 6, 2019.

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

Submitted by	Organization	Date Submitted
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Energy Division Staff (hereafter, “ED Staff” or “Staff”) thanks the CAISO for its efforts to enhance the current reliability requirements framework to ensure reliability. However, Staff is concerned that CAISO is not appropriately coordinating this effort with the Commission. Any changes to qualifying capacity and counting rules need to be adopted by the Commission through its process before CAISO implementation.

Several sections of CAISO’s part one straw proposal touch on rules around qualification and counting for Resource Adequacy - affecting whether a resource can count, and how much it counts toward meeting resource adequacy requirements. These sections include: Rules for Import RA, Local Capacity Assessment with Availability Limited Resources, and Meeting Local Capacity Needs with Slow Demand Response Resources. All three of these sections propose to change the value a resource can count towards providing RA. CAISO appears to be moving unilaterally to define what will count towards meeting local and system capacity requirements. This impacts areas of Commission jurisdiction, ultimately including rates.

Additionally, the straw proposal mentions that part two will cover RA Counting and Eligibility Rules, and System and Flexible Capacity Assessments and Adequacy Tests. Staff is concerned with scope of these topics for the same reasons discussed above.

It is critical that the CAISO not change RA rules that would impact the bilateral RA market prior to the Commission adopting those rules through its processes. Staff encourages CAISO to work with stakeholders in the Commission’s RA proceeding prior to establishing rules in its tariff that would be inconsistent with Commission RA rules and State law as detailed below.

As stipulated in California Public Utilities Code (PUC) 380:

- (a) The commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load serving entities.
- (b) In establishing resource adequacy requirements, the commission shall ensure the reliability of electrical service in California while advancing, to the extent possible, the state's goals for clean energy, reducing air pollution, and reducing emissions of greenhouse gases. The resource adequacy program shall achieve all of the following objectives:...
 - (2) Establish and maintain existing demand response products and tariffs that facilitate the economic dispatch and use of demand response that can either meet or reduce an electrical corporation's resource adequacy requirements, as determined by the commission.

Additionally, PU Code 380 states that:

- (e) the commission shall implement and enforce the resource adequacy requirements in accordance with this section in a nondiscriminatory manner. Each load-serving entity shall be subject to the same requirements for resources adequacy...that are applicable to electrical corporations pursuant to this section, or otherwise required by law, or order or decision of the commission. The commission shall exercise its enforcement powers to ensure compliance by all load-serving entities.

1. Rules for Import RA

Staff appreciates the CAISO's plan to review and assess RA import rules and requirements. As older, less efficient generation retires,¹ California will become more reliant on imports in meeting its system RA. Therefore, it is critical for reliability to ensure that imports show up in the CAISO markets in ways that maintain and enhance the reliability and stability of the grid. It is also important to understand why the Maximum Import Capability (MIC) is greater than the import capacity that is typically shown in yearly RA filings. Additionally, Staff observes that non-specified resources are exempt from RAAIM and this may exacerbate the speculative supply issue.

When developing the RA program, the Commission established qualifying capacity rules for RA imports. These rules still apply today. Specifically, D.04-10-035, adopted the following methodology:

The qualifying capacity for import contracts is the contract amount if the contract (1) is an Import Energy Product with operating reserves, (2) cannot be curtailed for economic reasons, and either (a) is delivered on transmission that cannot be curtailed in operating hours for economic reasons or bumped by higher priority transmission or (b) specifies firm delivery point (i.e., is not seller's choice).²

¹ This is driven in large part by Once-Through-Cooling (OTC) generation retirements and the implementation of Effective Load Carrying Capacity (ELCC) for wind and solar resources.

² D-04-10-035 at 24 Workshop Report at 21 - http://docs.epuc.ca.gov/PublishedDocs/WORD_PDF/REPORT/37456.PDF

In D.05-10-042 the Commission established that liquidated damage contracts (**which are non-unit specific contracts**) would be phased out of use in the RA program because they allow the possibility of double-counting resources in fulfilling RA obligations and are not subject to deliverability screens. Either of the concerns ran the risk of affecting the CAISO's ability to operate the grid.

However, non-unit specific imports were not subject to the phase out as long as they met the import deliverability requirement and had sufficient physical resources associated with them (spinning reserve and firm energy delivery to a certain point).

The decision specifically said:

Firm import LD contracts do not raise issues of double counting and deliverability that led us to conclude that other LD contracts should be phased out for purposes of RAR. We note that firm import contracts are backed by spinning reserves. Accordingly, we approve the exemption of firm import LD contracts from the sunset/phase-out provisions applicable to other LD contracts as adopted in Section 7.4.³

Additionally, in D.06-12-067 the Commission exempted imports, supported solely by non-dynamic system resources (non-resource specific), from the real time must offer obligation, stating that they "cannot be preferentially called upon during congestion conditions to meet the CAISO's needs even if they are subject to a real-time obligation." Parties' argued that a real-time obligation is unworkable because imports do not have transmission priority under FERC's open access rules.⁴

In its straw proposal, CAISO seeks party comments on changing the rules for RA imports. Specifically, CAISO seeks parties' comments on whether the rules should be changed to prohibit non-resource specific imports from qualifying as RA. CAISO states that it is open to considering other options to ensure that RA imports are not double counted across balancing areas.

Additionally, the CAISO proposes that RA imports be required to specify their source balancing authority (BA) so as to prevent double counting in the EIM sufficiency test. Finally, the CAISO proposes to require imports to also be required to submit bids into the real-time market, similar to internal RA resources. This would mitigate the potential for RA showings to rely on speculative supply.

The current CAISO rules around qualifying capacity for imports **is limited to the default QC Criteria rules in its tariff, Section 40.8:**

³ D.05-10-042 at 68

⁴ D.06-12-067 at 21 SCE contends that subjecting imports to a real-time obligation is unworkable because imports do not have transmission priority under FERC's open access rules. SCE says that as a practical matter, imports cannot be preferentially called upon during congestion conditions to meet the CAISO's needs even if they are subject to a real-time obligation. Since the CAISO resolves congestion associated with import schedules based on bids, the CAISO cannot accept RA imports and reject non-RA imports at times when an inter-tie is congested.

The criteria in this Section 40.8 shall apply only: (i) where the CPUC or Local Regulatory Authority has not established and provided to the CAISO criteria to determine the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity for such eligible resource types and (ii) until the CAISO has been notified in writing by the CPUC of its intent to overturn, reject or fundamentally modify the capacity-based framework in CPUC Decisions 04-01-050 (Jan. 10, 2004), 04-10-035 (Oct. 28, 2004), and 05-10-042 (Oct. 31, 2005). The types of resources specified in this Section 40.8.1 will be eligible to provide Qualifying Capacity to the extent they meet the criteria for each type of resource set forth in this Section 40.8.1.⁵

Import RA falls into two different sections of the default qualifying capacity tariff: Dynamic System Resources and Pseudo-Ties and Non-Dynamic System Resources. Under the non-dynamic system resources, CAISO's tariff states that "[e]ligibility as Resource Adequacy Capacity is contingent upon a showing by the Scheduling Coordinator of the System Resource that it has secured transmission through any intervening Balancing Authority Areas for the Operating Hours that cannot be curtailed for economic reasons or bumped by higher priority transmission."⁶ Staff requests that CAISO clarify how this provision is enforced.

In addition, Staff requests that CAISO clarify if it intends to change its default qualifying capacity rules for RA imports or if it is proposing to establish other qualifying capacity rules elsewhere in its tariff. Staff believes that any rule changes to qualifying capacity value for imports needs to be closely coordinated with the Commission and should be considered in the Commission's RA proceeding, especially if it addressing provisions currently contained in Commission decisions.

Additionally, CAISO specifically proposes to extend the must offer obligations for RA imports into the real-time markets. Staff agrees that this change would make RA imports subject to the same Must Offer Requirements as internal RA resources. It may also help to reduce the risk of speculative supply. In addition, Staff is concerned that this proposal appears to preclude the use of self-scheduled firm imports for RA (i.e., CAISO's suggestion addresses import RA that is bidding, but not import RA that is self-scheduled).

It is Staff's understanding that all RA resources (including non-specified imports) are required to bid into Residual Unit Commitment (RUC) at \$0. To better understand whether a real time must offer obligation is needed, Staff would like the CAISO to clarify how imports (including non-specified) are optimized in its residual unit commitment (RUC) process that RA resources are subject to.

⁵40.8.1.12.2

⁶40.8.1.12.2

Finally, CAISO indicates in its straw proposal that, “imposing offer caps for import RA bid submission, is out of scope for this initiative” (emphasis included in the original). Given that CAISO’s primary concern appears to be “speculative supply to count for RA capacity,” it makes little sense to reform the import rules without taking into consideration that import RA (even when the balancing authority is identified) can mimic “speculative supply,” by bidding at the cap and then potentially not showing up when called.

2. RAIM Enhancements & Outage Rules

Staff supports the CAISO’s efforts to enhance its current availability incentive mechanism. Staff acknowledges that CAISO’s straw proposal is in the early phases, and a clear proposal has not yet emerged. CAISO does note the close relationship between RAIM and net qualifying capacity rules stating, “to ensure both RAIM and net qualifying capacity values reflect a resource’s availability, the ISO must establish clear triggers for when RAIM would apply and when net qualifying capacity would be impacted.” Staff requests that if a future RAIM proposal impacts the qualifying capacity valuation of a resource, then the CAISO should make its proposal in the RA proceeding so that the Commission can determine if the qualifying capacity rules should change.

3. Meeting Local Capacity Needs with Slow Demand Response

The CPUC appreciates CAISO’s efforts in developing a proposal to leverage “slow DR” resources to address contingency situations in locally constrained areas to allow such resources to be eligible for local RA. Per CAISO’s proposal, Reliability Demand Response Resources (RDRR) that cannot respond to Real-Time dispatch within 20 minutes should not be eligible to count as local RA.

The CPUC is concerned that the proposal will prevent CAISO from leveraging approximately 680 MWs offered by BIP-30, an RDRR resource that has been developed and invested in by ratepayers through collaborative efforts over many years and has proven to be highly reliable when called upon for grid reliability needs during a system warning or emergency state. The need to integrate BIP into the CAISO’s wholesale market led to the design of the RDRR product through a CAISO-led initiative in 2010. BIP has developed within the RDRR framework, including the requirement that RDRR should not have a combined advance notification time and ramp time that exceeds forty (40) minutes⁷. That design remains in place today and is part of CAISO’s tariffs⁸. The current proposal to discount the MWs under BIP-30 from counting toward local resource adequacy is concerning given that BIP-30 comprises most of the RDRR portfolio and has proven to be a reliable resource when called.

⁷ Reliability Based Demand Response Product, [Revised Draft Final Proposal](#), Section 4.4.4. Dispatch Timing, page 20

⁸ CAISO Electric Tariff Section 4.13.5.3.

The CPUC recommends that CAISO explore options to utilize this resource for local reliability purpose. For example, are there ways for CAISO to create some amount of flexibility to the 20 minute response time? As another option, while the CPUC prefers counting the entire available capacity from BIP-30, CAISO should consider utilizing the capacity level that could be achieved within 20 minutes by a BIP-30 resource as it ramps up after being dispatched⁹. Lastly, CAISO is requested to perform a simulation of its proposal using historical data to show how DR resources would be dispatched pre- and post-contingency; this may provide important insight in potential improvements to the proposal.

Commission Decision (D)16-06-045 notes that it is important to define the implementation details before any new requirements become effective. It also determined that it is important to identify IOU tariff or contract changes that are necessary for pre-dispatch of DR resources and that those details make their way back to the Resource Adequacy and Demand Response proceedings for Commission consideration¹⁰.

⁹ D.16-06-045 requested the CAISO stakeholder process to take up this specific task, p.37

¹⁰ See D.16-06-045, Section 7.1.4, page 37-38