

# INDEPENDENT ENERGY PRODUCERS

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**To:** CAISO

**From:** Steven Kelly  
Policy Director

**Date:** May 16, 2019

**RE:** Deliverability Assessment Methodology: Issue Paper

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## **Summary/Overview:**

The Independent Energy Producers Association (IEP) appreciates the CAISO's focus on improving the Deliverability Assessment Methodology. While supporting changes in the Deliverability Assessment Methodology that make sense, we agree with the CAISO that the need to consider changes to the current methodology is driven primarily by changing load shape. Yet, we also observe that the primary affects may be felt by the commercial interests of resource developers (generation and transmission). We note too that regulatory and market certainty drive the commercial investment that is critical to achieving the state's public policy objectives (e.g. GHG reduction, RPS) while ensuring grid reliability.

While supporting this stakeholder initiative, we recognize that the scope/scale of the initiative potentially is very broad. Thus, we have concerns that this initiative may morph in a manner that imposes unwarranted and unreasonable risks on resources seeking to interconnect to the CAISO grid. Thus, we recommend that the CAISO, up-front in this initiative, consider developing a set of Guiding Principles to govern expectations and help frame expected outcomes.

## **IEP Comments on Deliverability Assessment Initiative/Issue Paper:**

The CAISO Issue Paper (and accompanying Presentation) notes that the evolving load shape necessitates a more deliberate study of the output of intermittent resources to serve load matched with the load level at the time of output. Moreover, the CAISO states that this initiative is driven by the same factors that led the California Public Utilities Commission (CPUC) to

adopt an Effective Load Carrying Capability (ELCC) methodology for assessing the qualifying capacity values of intermittent resources (e.g. wind, solar) in the context of resource adequacy.

IEP recognizes the value of considering reforms in the Deliverability Assessment Methodology given these factors. We note, however, that the risk of unintended consequences is significant when considering broad changes to the Deliverability Assessment Methodology, including potential impacts on the determination of Qualifying Capacity associated with existing resources interconnected to the CAISO grid; the scope/scale and timing of Network Upgrades; and, the scope/scale and timing of transmission upgrades in the Transmission Planning Process (TPP).

While generally supporting the direction of this stakeholder initiative, IEP recommends that the CAISO take an initial, yet critical step in this process and develop a set of Guiding Principles that will help frame the discussion(s) and scope/scale of potential outcomes. We recognize the difficulty in accomplishing this important task, but the potential for this stakeholder initiative to broaden and morph beyond expectations is significant absent a set of Guiding Principles to help govern the process.

In the context of considering a set of Guiding Principles, we offer the following suggestions for stakeholder consideration:

- **Coordination/Consistency with Other Agencies (e.g. CPUC, CEC).**

Coordination and consistency among the various entities that affect resource decisions in California (e.g. the CAISO, CPUC, CEC) is essential to ensure timely infrastructure investment needed to meet state policy goals. As noted in the Issue Paper, the CPUC has adopted the ELCC methodology for assessing the RA value of intermittent resources. Here, the CAISO is proposing a similar approach to the Deliverability Assessment used for all intermittent resources. We recommend that coordination/consistency with other agencies be treated as a Guiding Principle for this initiative.

- **Hold Harmless.** Currently, resources interconnecting at the transmission level of the electric grid have the choice of obtaining Full Deliverability Status. To achieve this status, the resource must pay for Network System Upgrades (subject to refund) to ensure that resources already on the system are not harmed by the interconnection of the new resource. Full Deliverability Status remains with the unit for the life of the resource. This approach help provide a measure of

regulatory/commercial certainty to infrastructure investment and, as a result, lowers the cost of that investment. The principle that existing resources be held harmless for future changes in the Deliverability Assessment Methodology to the extent feasible and practical ought to be applied in this initiative.

- **Setting Clear Market Signals for Investment.** The Deliverability Assessment is used to inform resources interconnecting to the electric grid the costs of such interconnection assuming the desire to obtain Full Deliverability Status (and Partial Deliverability) versus, for example, Energy-only status. The Deliverability Assessment Methodology should not undermine the market signals that drive needed, cost-effective investment in a timely manner, particularly with regards to who is doing what, when, and where.
- **Rely on Markets.** California's energy landscape is driven in part by market signals and in part by administrative fiat. In the tension between the two, the CAISO should rely first on market-based solutions to incent and facilitate new infrastructure investment.

IEP appreciates the opportunity to comment early in the stakeholder process considering changes to the Generation Deliverability Assessment Methodology. We recommend developing a core set of Guiding Principles to aid the discussion and enhance the prospects of a successful conclusion. We look forward to working with the CAISO on this important subject.