

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
Dan Griffiths griffiths@braunlegal.com	East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, and Sonoma Clean Power Authority	April 10, 2018

Please use this template to provide your written comments on the stakeholder initiative “Review of RMR and CPM.”

Submit comments to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com)

**Comments are due April 10, 2018 by 5:00pm**

The Draft Final Proposal for Phase 1 Items and Items under Consideration for Phase 2 that was posted on March 13, 2018 and the presentation discussed during the March 20, 2018 stakeholder meeting can be found on the following webpage:

[http://www.caiso.com/informed/Pages/StakeholderProcesses/Review\\_ReliabilityMust-Run\\_CapacityProcurementMechanism.aspx](http://www.caiso.com/informed/Pages/StakeholderProcesses/Review_ReliabilityMust-Run_CapacityProcurementMechanism.aspx).

Please use this template to provide your written comments on the items listed below and any additional comments that you wish to provide.

### Comments on potential phase 2 items.

Section 8 of the March 13, 2018 paper discusses the items that may be candidates for phase 2 of this initiative. It includes items suggested by both the ISO and stakeholders. The ISO requests that stakeholders comment on the priorities for these potential phase 2 items.

**Comments:**

East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, and Sonoma Clean Power Authority (“Joint CCAs”) appreciate the opportunity to provide comments on the Draft Final Proposal for Phase 1 Items and Items under Consideration for Phase 2 (“DFP”), released on March 13, 2018.

In the DFP, the CAISO discusses potential phase 2 items, which the CAISO envisions to be implemented in Fall 2019 to be in effect for 2020. As part of this discussion, the CAISO notes concerns from stakeholders on the need for coordination with the California Public Utility Commission’s (“CPUC”) Resource Adequacy (“RA”) proceeding, and the need for improvement with the RA compliance timeline.<sup>1</sup> For example, CPUC staff requested, among other things, that future CAISO straw proposals include coordination with the RA procurement process.<sup>2</sup> Though the CAISO states in the DFP that it is “not planning in this initiative to move the RA timeline back” as a means to revise the existing RA program,<sup>3</sup> the CAISO is open to proposals for program improvements in phase 2.<sup>4</sup> The Joint CCAs propose “Sub-Local RA Voluntary Targets” and complementary CAISO coordination to improve the RA program and reduce backstop procurement issues highlighted in the DFP.

In order to ensure grid reliability, the CAISO has the authority to procure backstop capacity to cure a collective deficiency in a local capacity area. Unfortunately, such backstop procurement results in excess capacity procurement in specific local areas, as LSEs have already procured other local resources in accordance with their compliance obligations. The costs associated with such excess capacity are borne by LSEs within the CAISO and ultimately by their customers. Accordingly, the Joint CCAs believe that it is important to explore ideas to improve the local RA process to reduce avoidable backstop procurement costs. Sub-Local RA Voluntary Targets can be an effective means to improve this local RA process.

In accordance with current local RA requirements, CAISO LSEs today are not required to secure capacity in any of the 45 sub-local areas as defined by CAISO. Instead, due to market power concerns, LSEs are required to secure capacity at the local area level. Unfortunately, these less

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<sup>1</sup> Draft Final Proposal at 14.

<sup>2</sup> *Id.* at 12.

<sup>3</sup> *Id.* at 12, 15, 41.

<sup>4</sup> *See id.* at 4 (considering stakeholder feedback for phase 2 items)

granular requirements do not ensure that the right local resources will be procured to mitigate reliability risk. These requirements then can lead to backstop procurement that results in excess capacity and added costs that could have been avoided. Accordingly, the Joint CCAs suggest that LSEs be assigned Sub-Local RA Voluntary Targets. These targets are voluntary, so there is no additional risk of RA penalties. The targets are neither a ceiling or a floor, and simply communicate more specific needs by area. In conjunction with these targets, the Joint CCAs also recommend that the CAISO revise its Capacity Procurement Mechanism (“CPM”) tariff. The Joint CCAs understand that some aspects of this proposal are CPUC-specific, and have provided the full proposal at the CAISO in an effort to encourage coordination on these issues among organizations and stakeholders.

#### **A. Summary of the Structure for Sub-Local RA Voluntary Targets**

To implement these voluntary targets, Local obligations would be amended to include sub-local targets in the year-ahead RA process when LSEs receive their obligations (July) and revised obligations (September), which are provided to the LSE in a confidential manner. For example, under current RA program, a Community Choice Aggregation program (“CCA”) in PG&E’s transmission area might have the following local RA requirements (which are purely illustrative) as specified in the “LSE Allocations” tab of the CPUC’s Year-Ahead or Month-Ahead compliance file:

- Bay Area Local Obligation = 100 MW
- Other PG&E Local Area Obligation = 125 MW

With the “Sub-Local RA Voluntary Targets”, the example directly above would be amended, as shown below:

- Bay Area Local Obligation = 100 MW
  - Moss Landing Sub-Local Voluntary Target: 11 MW
  - Oakland Sub-Local Voluntary Target: 8 MW
  - Etc.
- Other PG&E Local Area Obligation = 125 MW
  - Humboldt
    - Humboldt Sub-Local Voluntary Target: 7 MW
  - North Coast / North Bay
    - Eagle Rock Sub-Local Voluntary Target: 3 MW
    - Fulton Sub-Local Voluntary Target: 2 MW
    - Etc.
  - Sierra Local Area

- Pease Sub-Local Voluntary Target: 5 MW
- Placerville Sub-Local Voluntary Target: 4 MW
- Etc.
- Stockton
  - Stanislaus Sub-Local Voluntary Target: 6 MW
  - Weber Sub-Local Voluntary Target: 1 MW
  - Etc.
- Greater Fresno
  - Coalinga Sub-Local Voluntary Target: 7 MW
  - Hanford Sub-Local Voluntary Target: 2 MW
  - Etc.
- Kern
  - West Park Sub-Local Voluntary Target: 4 MW
  - Kern Oil Sub-Local Voluntary Target: 4 MW
  - Etc.

Importantly, the amended example above includes sub-local targets that would (if procured) contribute to the LSE’s local area obligations. In other words, the sub- local targets would not be in addition to the local area obligations.

**B. Proposed CAISO Tariff Revisions to Reward Voluntary Sub-Local Procurement**

In conjunction with proposing Sub-Local RA Voluntary Targets for LSEs, the Joint CCAs also recommend that the CAISO revise its Tariff (specifically, Section 43A.2.2.1) to reward LSEs that voluntarily procure their sub-local targets. Specifically, the Joint CCAs recommend that in the case where CAISO CPMs are conducted to address collective deficiencies in local capacity areas, the associated costs should be allocated (proportionately, based on MW not procured) only to those LSEs that did not fully procure both their local RA obligations and their sub-local voluntary targets. As the CAISO tariff exists presently, there is no way for an LSE to fully avoid collective deficiency CPM costs, even if the LSE procures CAISO-specified resources during the 30-day cure period. By revising the CAISO’s CPM tariff in the manner suggested above, LSEs will be motivated to procure their sub-local targets (and avoid CPM cost exposure), helping to avoid the need for CAISO CPMs in the first place.

**C. Need for CAISO Coordination on RA Program Improvements**

The CPUC is presently examining changes to its RA program through Rulemaking 17-09-020.

One issue for discussion has been the possibility of a multi-year procurement structure. Related to the sub-local issues above, the Joint CCAs have proposed that in year 1 of any multi-year procurement structure, the CPUC would adjust local RA year-ahead requirements to cover 90% of the RA Requirements (“RAR”) for all 12 months of the applicable compliance period, aligning procurement with the percentage coverage of system and flexible RA. The LSE would then procure the remaining 10% Local RAR after the year-ahead deadline to adjust to specific local needs and in response to the CAISO’s Evaluation Report of local and system requirements.<sup>5</sup> This approach addresses the issue highlighted above where the overall local procurement may be sufficient, but there still may be needs to address local sub-areas, which in turn impacts CAISO backstop procurement determinations. Thus, the subsequent 10% adjustment would allow LSEs to adjust procurement to cover any identified local needs, and work to alleviate backstop procurement issues. The Joint CCAs encourage the CAISO to coordinate with the CPUC on local procurement adjustments following the year-ahead deadline, and address any changes in phase 2 as needed.

#### **D. Conclusion**

In summary, the Joint CCAs recommend three items: (1) working together, the CPUC and CAISO should implement sub-local RA voluntary targets for LSEs within CAISO, and such targets should be provided in tandem (i.e., in the same upfront timeframe) as RA obligations are provided; (2) the CAISO should revise its tariff to allocate local capacity collective deficiency CPM costs only to those LSEs that did not fully procure both their local RA obligations and their sub-local voluntary targets; and (3) the CAISO should coordinate with the CPUC on changes as related to Local RAR improvements. The Joint CCAs believe that these changes will lead to more effective local capacity procurement.

Stakeholders may point out that this proposal appears to ignore some of the realities facing generators. For example, a 600 MW generator may not be enticed to sell 4 MW of capacity to an LSE that is looking to fill its sub-local target. However, with proactive demand for the right local resources, the market has a better chance than it does today to arrive at an efficient solution. For example, a 600 MW generator might receive a number of inquiries/bids and may decide to hold an RFO. This mechanism would also incentivize LSEs to jointly procure the resource. At a minimum, there can be greater transparency into the resources required by the CAISO for reliability, and LSEs have the chance to avoid double procurement.

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<sup>5</sup> See, e.g., 2018 CAISO Evaluation Report (November 13, 2017), available at [https://www.caiso.com/Documents/EvaluationReport\\_LoadServingEntitiesCompliance\\_2018Local\\_SystemResourceAdequacyRequirements.pdf](https://www.caiso.com/Documents/EvaluationReport_LoadServingEntitiesCompliance_2018Local_SystemResourceAdequacyRequirements.pdf)

In conclusion, the Joint CCAs believe that these changes will facilitate better transparency and more efficient local capacity procurement, while protecting the procurement autonomy of LSEs and the backstop procurement authority of the CAISO.