



Stakeholder Comments Template

Resource Adequacy Revised Straw Proposal

This template has been created for submission of stakeholder comments on the *Resource Adequacy Revised Straw Proposal* that was published on July 1, 2019. The proposal, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on July 24.

Submitted by	Organization	Date Submitted
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Please provide your organization’s comments on the following issues and questions. Please explain your rationale and include examples if applicable.

Overall comments:

SCE continues to support the CAISO in this re-examination of the efficacy of the RA program. SCE is supportive of a mechanism that encourages the offering of resources and the UCAP methodology offers significant hope for that happening. This initiative should examine the desired level of reliability and evaluate all of the mechanisms to attain that value. This will by necessity include the level of load (i.e. forecast certainty), outages, and ancillary services. An honest and unbiased look at the level of reliability desired will help inform where improvements must be made. If an honest and unbiased review of reliability determines that some areas of the grid have less reliability than previously thought, it is better to identify that early so that appropriate measures can be taken.

As reflected in the discussion during the workshop, there is a significant disconnection between local RA and system/flex RA design under the proposal, because system/flex RA would be under the UCAP design while local RA continues to be under the NQC design. The disconnection creates unnecessary complexity and issues, e.g. potential double penalty for local RA resources’ forced outage, different RA compliance (local RA being annual vs system RA being monthly) and different load forecast standard (1 in 2 vs 1 in 10). Given these issues, SCE requests the CAISO extend the UCAP concept to local

RA and consider aligning study assumptions in setting local requirements¹ with those for system RA.

In the area of the UCAP design as a separate framework from the CPUC NQC construct, SCE continues to believe the outcome of having two frameworks is not acceptable. The result of having two distinct frameworks is that LSEs now would have to meet the requirements from both RA frameworks, which can bring significant inefficiencies to the RA program and additional costs to LSEs. The resource set that meets the CPUC NQC requirement may turn out to be insufficient to meet the CAISO UCAP requirement, or vice versa. In the first case, LSEs would have to either procure resources additional to those shown to CPUC or bear the costs of the CAISO backstop procurement. In the second case, CPUC-jurisdictional LSEs would bear the non-compliance risk and associated penalties from CPUC. This inefficiency does not exist today but would be introduced under the CAISO proposal. The CAISO should fully coordinate with CPUC to ensure a single framework for the RA program. Potentially, the CAISO should coordinate with other LRAs and the CEC to make it a state-wide uniform program for all LSEs.

While SCE understands the objective of a portfolio deficiency test, the efficacy of such a process on the overall RA program needs further evaluation. In order for the RA program to function as a whole, the LSEs will need to have sufficient information prior to soliciting for RA to ensure that their procurement will adequately address RA needs and mitigate the potential for backstop procurement. This issue is also present for local RA and in the discussions of Multi-year local RA requirements, many comments have been provided asking that the CAISO make available to LSEs the need for specific resources as well as effectiveness factors of the local resources. With that information in hand, LSEs can undertake bilateral contracting with reasonable assurance that their procurement will result in a portfolio that effectively addresses the reliability need. For system and flex RA in a UCAP environment, the same consideration will need to be made. LSEs need to be provided with as much information as practical to help guide their procurement decisions such that they can minimize the need for CAISO backstop procurement. This is particularly important since the CAISO has proposed the timing of the test to occur after monthly showing and there is a tight time window for LSEs to cure² for the portfolio deficiency. It is unclear how the cure process would function, (e.g. when each LSE meets its own UCAP requirement but there is a collective portfolio deficiency). The CAISO should provide further details on the cure process. The proposed cost allocation, based on load ratio, should be further examined under the cost causation principle, since the deficiency amount may arise from issues (e.g. ramping and duration requirements) other than meeting peak load.

¹ Accordingly, the load forecast for local RA would change from 1 in 10 to 1 in 2. In the alternative, a review of the appropriate level of load forecasting certainty (e.g. 1-in-2, 1-in-5, 1-in-10) could be evaluated consistently among the three RA requirements (system, local, and flex). Through this initiative, SCE seeks to have clear and well documented objectives of the various reliability requirements. What issues the requirement is trying to solve and the quantity of RA that is being required to solve each of those requirements will help to evaluate necessary changes in the future.

² Revised Straw Proposal, p. 22, “[i]f the portfolio is unable to serve load under given load or net load conditions, then CAISO will declare a collective deficiency, provide a cure period, and will conduct backstop procurement”. Available at <http://www.caiso.com/Documents/RevisedStrawProposal-ResourceAdequacyEnhancements.pdf>

SCE notes that the CAISO has expressed concern that meeting a peak load or peak net load need under an environment of increased reliance on resources with some form of use limitation is not sufficient to meet reliability needs. As discussed above, SCE believes that now is the time to evaluate the efficacy of the RA program overall. This should include evaluation of existing mechanisms designed to ensure that not only are peak load needs met, but there is sufficient capacity to meet the load needs in non-peak hours as well. Given these issues, the CAISO should evaluate the existing Maximum Cumulative Capacity mechanism if the underlying need is to address hourly requirements associated with use limitation of resources.

Regarding the proposal of 3-hour, 1-hour and 15-minute flex RA products, SCE appreciates the information the CAISO provided in the FRACMOO initiative.³ While the information is helpful, without more complete understanding of what the data represents, it is not possible to reach a conclusion at this time. SCE therefore asks that the CAISO work with any interested party to share the data (without revealing any confidential and/or market sensitive data) as well as the methodology so that parties can assess the accuracy of this analysis and its application to the RA structure.

1. System Resource Adequacy

- Please provide your organization's feedback on the *Determining System RA Requirements* as described in *Section 5.1.1*.

SCE believes that FRP and Regulation requirements should not be included in setting system RA requirements as these requirements should already be covered under a peak load requirement. The CAISO should document how the proposed requirement compares to existing NQC requirement and show the comparison by component (including percentage for forced outage, reserve products and load forecast variation when applicable).

- Please provide your organization's feedback on the *Forced Outage Rates and RA Capacity Counting* as described in *Section 5.1.2*.

The CAISO should consider the shift in net peak load to later hours in the day in setting the outage assessment window. One option is to shift the proposed 16-hour assessment window by one hour, i.e. from 5AM-9PM to 6AM-10PM.

- Please provide your organization's feedback on the *System RA Showings and Sufficiency Testing* as described in *Section 5.1.3*.

Please see SCE comments at the beginning of this document.

³ <http://www.caiso.com/Documents/RevisedDraftFlexibleCapacityFrameworkProposal-FlexibleResourceAdequacyCriteria-MustOfferObligationPhase2.pdf> at page 45

- Please provide your organization’s feedback on the *Must Offer Obligation and Bid Insertion Modifications* as described in *Section 5.1.4*.

SCE agrees with the CAISO that “it may not be appropriate to apply bid insertion to resources with variable output...” For example, what would be the inserted bid quantity the CAISO intends to use for variable output RDRR demand response resources, such as weather sensitive DR programs.⁴ While the CAISO’s revised straw proposal acknowledges that bid insertion may not be appropriate for variable output resources, its listed exemptions (see revised straw proposal pages 29-31, Table 5) do not include RDRR as being exempt from bid insertion. SCE proposes the RDRR product continue being exempted from bid insertion, similar to PDR, Eligible Intermittent Resource, and NGR.

- Please provide your organization’s feedback on the *Planned Outage Process Enhancements* as described in *Section 5.1.5*.

As discussed during the workshop, the CAISO proposal related to planned outage substitution should make it clear that, no “false information” would be deemed in cases when a planned outage without substitution is approved by the CAISO, but is subsequently cancelled by the CAISO and becomes a forced outage. This clarification is needed to make the process of planned outage substitution obligation (POSO) more transparent.

There are instances where an approved planned outage is turned into a forced outage when the duration of the planned outage exceeds the initial planned time window. When this occurs, the resource loses the opportunity to provide substitution capacity for the extended time window and subsequently encounter RAAIM penalty under existing rules today. As the CAISO proposal would eliminate RAAIM penalty for forced outages, it would then follow that once a planned outage extends beyond the initial approved time window and becomes a forced outage, it would be subject to the UCAP counting for the duration of the extended time window (that does not include initial approved time window). The CAISO should clarify this understanding in its proposal.

- Please provide your organization’s feedback on the *RA Import Provisions* as described as described in *Section 5.1.6*.

SCE appreciates the CAISO updated analysis on RA import. In particular, the updated analysis has concluded that the potential reliability impact of RA import non-delivery may be less a concern than previously thought.

SCE supports the inclusion of appropriate provisions (e.g. applicable firm energy requirements for RA imports) in the CAISO tariff so the rules apply to all LSEs.

⁴ SCE’s DR programs such as the Summer Discount Plan (SDP) have variable available MW by hour, driven by temperature variation and the associated air conditioning loads.

SCE continues to oppose any proposal of resource specification requirement for RA import. Given that the CAISO's proposal of requiring source BAA is intended for preventing double counting, SCE requests the CAISO provide further details on the issue of double counting so stakeholders can assess whether the proposal is necessary or appropriate to address the issue.

- Please provide your organization's feedback on the *Maximum Import Capability Provisions* as described in *Section 5.1.7*.

The CAISO should evaluate whether the proposed auction mechanism would solve the issue it intends to address. SCE believes that the most concerning issue discussed at the stakeholder meeting was the lack of availability of Import Allocation Rights (IAR) after the allocation process for liquid trading purposes. If this is the issue, then the stakeholder process should focus on defining this problem. Included in that definition, SCE asks that the CAISO provide more information on how much of IAR capacity was historically unused. This information should be provided by each import point to determine if the unused amounts are at liquidly traded energy locations or at other points for which it may be less likely to obtain an import to utilize for RA.

Even if the issue, as described above, is found to be problematic, it is not clear that an auction mechanism would mitigate this issue. That is, an LSE that purchased IARs may still be unwilling to trade those rights once procured in an auction. Rather, the LSE may choose to hold those rights examining the potential to procure an import for which they would then need the IAR. In such a case, the ability to transact for IARs to meet RA needs may be illiquid. In this case, SCE believes that the other portion of the CAISO proposal to utilize a bulletin board to inform the market of need and availability of IARs would be more beneficial toward meeting the market's needs.

In summary, please provide your organization's position on System Resource Adequacy (Section 5.1). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

As reflected in the comments above, SCE supports with caveats, i.e. SCE supports the main UCAP proposal conditioned on 1) there is a single RA framework, and 2) the disconnection between system RA and local RA is addressed.

2. Flexible Resource Adequacy

- Please provide your organization's feedback on the *Identifying Flexible Capacity Needs and Requirements* as described in *Section 5.2.1*.

Please see SCE Overall Comments at the beginning of this document.

- Please provide your organization's feedback on the *Identifying Flexible RA Requirements* as described in *Section 5.2.2*.

Please see [SCE Overall Comments](#) at the beginning of this document.

- Please provide your organization's feedback on the *Setting Flex RA Requirements* as described in *Section 5.2.3*.

Please see [SCE Overall Comments](#) at the beginning of this document.

- Please provide your organization's feedback on the *Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility* as described in *Section 5.2.4*.

It appears the CAISO Proposal would disallow a Conditionally Available Resource (CAR) to be eligible for providing flex RA and that aspect of this proposal is problematic. Resources that count as both CARs and use-limited resources (ULRs) are currently allowed to provide flex RA. If under the CAISO Proposal those resources are no longer eligible to provide flex RA, it would impact a significant portion of flex RA capacity that's currently provided by those resources, which include hydro resources and new peakers that are flexible in nature, and comprise the most flexible portion of the CAISO fleet. Blanket exclusion of all CARs from being eligible to provide flex RA is inappropriate. The CAISO should address this concern and allow resources such as hydro and peakers that are flexible in nature to provide flex RA.

The CAISO should reconcile the aspect of the proposal that allows RA imports to provide flex RA with the proposed firm energy requirement for RA imports. Would an RA import be allowed to provide just flex RA without providing system RA and without firm energy delivery? Similarly, the CAISO should clarify its expectation of bidding requirements (e.g. is there a certain price range that the RA import must bid) for RA imports that provide flex RA.

- Please provide your organization's feedback on the *Flexible RA Allocations, Showings, and Sufficiency Tests* as described in *Section 5.2.5*.

Please see [SCE Overall Comments](#) at the beginning of this document.

- Please provide your organization's feedback on the *Flexible RA Must Offer Obligation Modifications* as described in *Section 5.2.6*.

Please see [SCE Overall Comments](#) at the beginning of this document.

In summary, please provide your organization's position on Flexible Resource Adequacy (Section 5.2). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE opposes the proposal of new hourly and 15-min flex RA products without fully demonstrating the need.

3. Local Resource Adequacy

- Please provide your organization's feedback on the *Local Capacity Assessments with Availability Limited Resources* as described in *Section 5.3.1*.

SCE does not have comment at this time, but may provide comments later.

- Please provide your organization's feedback on the *Meeting Local Capacity Needs with Slow Demand Response* as described in *Section 5.3.2*.

In the revised straw proposal (page 75) as part of describing its "Post –Day-Ahead Solution" to the pre-contingency dispatch proposal for slow demand response, CAISO states that by committing "DR resources to their Pmin, which is often zero for DR...", the CAISO can dispatch DR resources "by the market above their Pmin without the notification time they require". It is a common misconception that DR resources with awards at Pmin (often zero MW) are ready to respond to dispatch instructions without notification time. SCE notes that the CAISO proposes to develop a tool building on the foundation of the logic of the Minimum Online Commitment Constraint, but ensuring that the DR resources get committed above Pmin and maintain schedules from day-ahead through real-time. SCE agrees that consistent and unchanged schedules from day-ahead through real-time are important to leverage the reliability contribution from slow DR.

The CAISO should provide analysis and data with estimates of frequency, MW, and local area that slow DR would be dispatched pursuant to a pre-contingency dispatch, including a review of recent historical years to inform stakeholders on the impact from potential pre-contingency dispatches (frequency, MW, local area).

In the revised straw proposal, the CAISO addresses slow and fast RDRR and states that "fast responding RDRR, or RDRR that can respond within 20 minutes post-contingency, is eligible to count towards local area capacity because it can receive a dispatch and perform in the appropriate time after a contingency occurs". SCE interprets this to mean that a resource that can partially respond within 20 minutes to be local RA eligible, at least for the MW that respond within 20 minutes, and would like the CAISO to clarify.

In summary, please provide your organization's position on Local Resource Adequacy (Section 5.3). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

As commented above, there is a disconnection between system RA and local RA. SCE requests that the CAISO address this disconnection in its proposal.

4. Backstop Capacity Procurement Provisions

- Please provide your organization's feedback on the *Capacity Procurement Mechanism Modifications* as described in *Section 5.4.1*.

Please see SCE Overall Comments at the beginning of this document. In particular, the proposed backstop procurement mechanism based on a portfolio test must provide sufficient information to LSEs to provide the appropriate procurement signal for the bilateral market. If the amount of backstop procurement is significant, then the impact can be material while LSEs will bear the cost of the backstop procurement.

- Please provide your organization's feedback on the *Reliability Must-Run Modifications* as described in *Section 5.4.2*.

SCE does not have comment at this time, but may provide comments later.

- Please provide your organization's feedback on the *UCAP Deficiency Tool* as described in *Section 5.4.3*.

SCE supports the proposed concept of compensating entities with excess showing and penalizing entities with a deficiency to prevent leaning and incentivize showing. The CAISO should provide more details on the timing of using the UCAP Deficiency Tool. The examples provided by the CAISO indicate the use of the tool would be after all CPM being designated but Slide #155 states the payment and penalties will be "settled in the month-ahead and year-ahead time frame when RA showings and backstop procurement is complete"⁵ (emphasis added).

In summary, please provide your organization's position on Backstop Capacity Procurement Provisions (Section 5.4). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE generally supports the proposal of backstop procurement authority with a caveat regarding the ability for LSEs to reasonably predict the outcome of the portfolio test based upon their procurement.

Additional comments

⁵ Presentation, #155, available at http://www.caiso.com/Documents/Presentation-ResourceAdequacyEnhancements-July8-9_2019.pdf

Please offer any other feedback your organization would like to provide on the Resource Adequacy Revised Straw Proposal.

To facilitate the discussion on the disconnection between local RA (under NQC) and system RA (under the proposed UCAP), the CAISO should provide a list of issues that inhibits the transition from local RA to the UCAP methodology.

As mentioned at the stakeholder meeting by SCE, the CAISO should add the principle of cost causation to the list of the principles for this initiative. In particular, how this principle is applied when there is a portfolio deficiency.