Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative – Working Group, August 10, 2016

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on Working Group for the Regional Resource Adequacy initiative that was held on August 10, 2016 and covered the reliability assessment topic. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **August 17, 2016.**

Please provide feedback on the August 10 Regional RA Working Group:

1. Does your organization clearly understand the examples that were intended to provide explanation of the Regional RA reliability assessment validation of LSE RA Plans and Supply Plans? If not, please indicate what further details or additional clarity your organization believes should be provided by the ISO in the future.
    a. Please indicate if your organization believes that there are other specific examples or scenarios that are needed to aid in explaining the Regional RA reliability assessment RA and Supply Plan validations. If so, please detail the specific scenarios that your organization would like the ISO to provide examples on.

    CDWR believes that planning reserve margin(PRM) should not be applied to the portion of load that is included in the demand forecast for the RA requirement and that also provides RA capacity in the supply plan as a resource. The examples provided by CAISO do not consider a scenario in which a demand response resource is included in the demand forecast, but also provides RA as a resource unlike load modifiers (in which the DR portion is excluded from the demand forecast). In CDWR's case, the demand forecast includes demand response participating load (DRPL) capacity in the demand forecast, and also the DRPL resource is included in the supply plan as a resource.

    Total demand forecast = non-DR load + DR load = D1+D2

Pump load that does not provide RA capacity (D1) = 100 MW

Pump load that provides RA capacity as a resource (D2) = 10 MW

Total Demand forecast for the LSE= D1+D2 =110 MW

Since D2 is providing reserve as a supply resource, the LRA policy does not apply PRM on D2. This situation is somewhat similar to load modifiers but more stringent because the DRPL resource is provided to the ISO for non-spin and load drop as a RA resource capacity in LSE's RA Plan and Supply plan. Therefore,

LSE's system RA requirement = (1+PRM%)*D1+D2 = (1+0.15)*100+10=125 MW assuming adopted PRM of 15%.

LSE's RA plan must include RA capacity = (1+PRM%)*D1+D2=125 MW

If adopted PRM (e.g. 15%) were to apply to all load (D1+D2), as proposed by the ISO, LSE's system RA requirement would be =(1+PRM%)*(D1+D2)= (1+0.15)*(100+10)= 126.5 MW compared to 125 MW in the above example.

If the same LSE treats the D2 portion as a load modifier (DR load not included in the load forecast), LSE's load forecast would only be D1=100 MW and RA capacity requirement would be only 115 MW, and the ISO will not have dispatch access for the D2 portion because it is not included in the demand forecast and not included in the supply plan as a RA resource.

Merits of this approach:

	No PRM applied to portion of DRPL providing RA capacity	Load modifier
Load providing RA is included in the load forecast	Load providing RA is included in the load forecast. Total Load (D1+D2)= 110 MW	Load that is interruptible is not included in the demand forecast; may reduce the system need while actually the load may be present. Total Load (D1) = 100 MW; D2 is excluded
Load as a RA resource included in the supply plan?	Yes. 10 MW from DRPL	No. None as a RA capacity.
Improves reliability through ISO dispatch	Yes. ISO has access to DR as a RA resource in the supply plan (10 MW)	Not a part of ISO's market optimization.
LRA policy alignment	Supports LRA policy not to apply reserve requirement on a load providing reserve.	

Total RA capacity provided by the LSE	125 MW	115 MW only for the same actual load.

The above comparison illustrates that including participating load (that provides RA capacity) in the demand forecast, but exempting it from PRM and designate as a RA resource in supply plan, would provide enhanced reliability benefits to the ISO compared to a load modifier in which demand would not be included in the total load forecast but not in the supply plan also. In this example, from the same LSE, the ISO would receive 125 MW RA capacity from the participating load vs. 115 MW with the load modifier status. Therefore, the LSE should be allowed not to apply PRM on the portion of the load that is included in the demand forecast and is also providing RA capacity. Such an LSE has procured the full amount of PRM for its firm demand, and thus CAISO should not treat the LSE's RA plan as being deficient.

This approach would be consistent with the CPUC's 2017 Draft RA Guide, in which demand response is not subject to PRM:[1]

> *In the past LSEs received an allocation of Demand Response (DR) credit for programs that were administered by the utilities. These allocations have been listed on the LSE allocation tab of the compliance spreadsheet and have directly debited from the LSE's RA obligation. LSEs have not needed to do anything or list any additional information to receive credit for these programs.*
>
> *The DR allocations do not include the 15% planning reserve margin. The 15% planning reserve margin is added to the DR resources in the Summary sheets to reflect that DR programs directly reduce the load that the system is required to support, and thus that load does not need planning reserves.*

The only difference between the CPUC's approach and CDWR's current LRA process is that CDWR reports all demand in its forecast and the demand response participating load (DRPL) portion is also reported in the supply plan and RA plan for ISO dispatch access which is relatively more stringent, compared to a load modifier, as the ISO receives the access to dispatch the RA capacity through the supply plan.

2. Please indicate if your organization believes that there are other specific examples or scenarios that are needed to aid in explaining the Regional RA reliability assessment backstop procurement cost allocation. If so, please detail the specific scenarios that your organization would like the ISO to provide examples on.

   CDWR believes that any backstop procurement cost allocation for system RA needs should properly consider the amount of forecasted demand that is also providing RA capacity in a supply plan. In the example above, the LSE's forecasted load would be 110 MW, and if the PRM were applied to that amount, CAISO would expect the LSE to

[1] http://www.cpuc.ca.gov/General.aspx?id=6311, 2017 Draft RA Guide Clean, Section 13: Demand Response Resources and the Demand Response Tab.

procure 126.5 MW. However, the LSE would only show 125 MW on its RA plan, since the PRM would not apply to the DR portion that is providing RA. The 1.5 MW difference between these two numbers should not be treated as a shortfall for the purpose of backstop procurement allocation.

3. Please provide any further feedback your organization would like to provide on the proposed Regional RA reliability assessment process.

   Load forecasting: The biggest input factor in ISO's reliability assessment will be the load forecast. As CDWR explained in previously submitted comments, CAISO's load forecasting requirement as proposed under Regional RA is not compatible with CDWR operational limitations and the way CDWR's forecast currently works.[2] Unless CDWR's load forecasting concerns are addressed, the proposed reliability assessment will also be problematic for CDWR.

4. Please provide any feedback on the other discussions that occurred on the other Regional RA topics during the working group meeting.

   Counting rules: The working group meeting discussed issues related to uniform counting rules. CDWR maintains its position with regard to CAISO's counting rule proposal that CAISO should not infringe on the jurisdiction of LRAs, as explained in CDWR's comments on the Second Revised Straw Proposal[3] and during the July 21st working group meeting on regional RA[4].

   The ISO proposes that the Uniform Counting Rules capacity values will be used in the validation process under Regional RA. CDWR believes that CAISO should address remaining unresolved issues concerning counting rules on participating load as proposed by CDWR prior to implementing its proposal.

   Finally, CDWR requests CAISO's clarification regarding Example 5 (slide 22 of CAISO's PowerPoint presentation for the August 10, 2016 working group meeting). For the purposes of Example 5, CAISO assumed that RA contract capacity sold was greater than the capacity determined by uniform counting rules and therefore the validation of RA and supply plans failed. If the CAISO proposes to use contract capacity based on the uniform counting rules going forward, what happens to the existing RA contracts that are based on previous counting criteria?

[2] http://www.caiso.com/Documents/CDWRComments-RegionalResourceAdequacy-LoadForecastingWorkingGroup-Jun22_2016.pdf
[3] http://www.caiso.com/Documents/CDWRComments-RegionalResourceAdequacy-SecondRevisedStrawProposal.pdf
[4] http://www.caiso.com/Documents/CDWRComments-RegionalResourceAdequacy-WorkingGroup-Jul20_2016.pdf