California ISO

Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the RA Enhancements stakeholder working group held on April 8 & 9. The 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 April 22.

Submitted by	Organization	Date Submitted
Paul Nelson *Barkovich & Yap, Inc.* *213-444-9349*	*California Large Energy Consumers Association*	*April 22, 2019*

A critical concern for CLECA[1] is how the State's goals regarding greenhouse gas emissions and renewable portfolio are balanced against concerns about ratepayer costs and reliability of the electric grid. CLECA supports California's climate goals, but we are concerned about reliability because an unreliable electric grid will impact production of goods and services and will likely increase costs as well. Since industrial customers compete in out-of-state and international markets, they cannot just pass higher electricity and production costs along to their customers. Thus, reliability and the level of electricity rates is extremely important to the viability of industrial businesses in California. The cost of electricity impacts the State's climate goals, because keeping the production of cement, steel, minerals, industrial gases, cold storage and beverages in California

[1] CLECA is an organization of large industrial electric customers of Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE); the member companies are in the steel, cement, industrial gas, mining, pipeline, cold storage, and beverage industries and share the fact that electricity costs comprise a significant portion of their costs of production. Some members are bundled customers, others are Direct Access (DA) customers, and some are served by Community Choice Aggregators (CCAs). CLECA has been active in CPUC proceedings since the early-to-mid 1980s and in CAISO proceedings since its inception.

enables their manufacture where energy is cleaner and avoids additional emissions associated with transportation from out-of-state facilities. Since California seeks to avoid greenhouse gas leakage in the electric energy sector as part of its climate change policy, it should also be concerned about leakage from critical industries moving outside California. A key issue in this initiative is how the State's broader goals for a cleaner electric grid per SB 100 are achieved while meeting the reliability needs of the electric grid; CLECA emphasizes the need to consider costs, while balancing reliability and clean energy goals.

CLECA appreciates the effort by the CAISO to examine the current Resource Adequacy rules and examine what changes are necessary to maintain reliability. This is important because the grid is transitioning from numerous resources that are available almost in all hours to many intermittent resources (primarily solar and wind). The pending retirement of coastal once through cooling thermal generation will accelerate this transition.

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

1. Unforced capacity concepts: Inclusion of forced outage rates in capacity counting/valuation

Please provide your organization's feedback on the capacity counting and forced outage rate/unforced capacity topic. Please explain your rationale and include examples if applicable.

CLECA remains concerned by double procurement for forced outage rates as mentioned in prior comments, which are repeated below:

> The 15% PRM established by the California Public Utilities Commission (CPUC) includes an amount to cover forced outages that occur in the fleet, as well as reserve requirements and load uncertainty. Therefore, using UCAP in the accounting to meet the capacity target will lead to over-procurement because it will double count the forced outages. For example, assume the fleet forced outage rate is 5%; then, to meet 50,000 MW of load, the additional capacity required just for outages would be 2,500 MW. With a 15% PRM, the total target capacity need

would be 57,500 MW. (The other 5,000 MW is for reserves and load forecast uncertainty.) However, using the UCAP with a 5% forced outage rate in the resource accounting to meet the target capacity would require 60,526 MW[2] of capacity, which is an excess of 3,026 MW over the target. This would result in an unnecessary $229 million of annual cost based upon CAISO's capacity procurement mechanism soft-offer cap of $75.68/kw-year.

This results in conflicting resource target requirements for load serving entities between the CPUC and CAISO accounting rules. Using the above example, to meet CPUC requirements, only 57,500 MW would be required. However, this would be insufficient under the UCAP accounting resulting in another 3,026 MW of procurement. This would lead to an unneeded level of increased of CAISO backstop procurement, contrary to the universal goal of minimizing CAISO backstop procurement.

The CAISO is also seeking input on the inclusion of an adjustment for load forecast uncertainty to the 1 in 2 load forecast.[3] Weather variation's impact on load is already embedded into the PRM required to achieve a result of 1 outage in 10 years. The stochastic modeling to determine the PRM already includes load variation that is above a normal weather year. Similar to the UCAP issue, this would result in double counting of load variation and lead to excess procurement.

Changes to the definition of capacity procurement requirements will require a coordinated effort between the CAISO and the CPUC to prevent unnecessary costly procurement. The Draft Final Proposal should detail how this needed coordination will occur to ensure needless backstop procurement is avoided.

If the CAISO plans to utilize the UCAP approach, then it will need to evaluate how to adjust the target UCAP amount to account for the fact a forced outage rate is already embedded into the PRM so that duplicate procurement for forced outages does not occur. The alternative would be to coordinate with the CPUC to adjust their capacity target to remove the forced outage rate that is embedded into the PRM. If a UCAP approach is

[2] Capacity Target = (50,000 MW Load * (1 + 15% PRM)) = 57,500 MW
Capacity Required = (57,500 MW Capacity Target / (1 – 5% forced outage)) = 60,526 MW
[3] CAISO Straw Proposal at 21.

utilized, either the CAISO or the CPUC needs to adjust their accounting mechanism so that forced outages is not double counted in the required capacity target.

2. Flexible RA concepts

Please provide your organization's feedback on the Flexible RA topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue

3. RA showings and assessments

Please provide your organization's feedback on the RA showings and assessment topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue.

a. Portfolio assessment

Please provide your organization's feedback on the portfolio assessment sub-topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue.

4. Planned Outage Substitution

Please provide your organization's feedback on the Planned Outage Substitution topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue.

5. CPM and Backstop authority

Please provide your organization's feedback on the CPM and Backstop Authority topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue.

6. Import RA provisions

Please provide your organization's feedback on the import RA provisions topic. Please explain your rationale and include examples if applicable.

CLECA appreciates the effort of the CAISO to examine the issue of import RA and reliability in more detail. Per page 78 of the presentation, the CAISO is concerned about the firmness and has concerns about the selling of a RA resource twice. The

CAISO asks if it is necessary to "require an attestation that the import RA capacity is not and will not be sold to a third party." An attestation is only as good as the ability to monitor and enforce the requirements. If this would assist the Department of Market Monitoring or FERC in an investigation, then an attestation could be helpful.

If there is speculative capacity being bid into the market that knowingly cannot deliver if dispatched, then that is a serious violation of FERC market rules. If that is occurring, then it is by a few market participants. The rest of the market should not be punished with more restrictive requirements that could result in higher power procurement costs. Improved investigation, which is visible to the market, and when violations are found to occur, and then seeking FERC enforcement would be a deterrent to prohibited behavior.

7. Maximum Import Capability and Import Capability Allocation provisions

Please provide your organization's feedback on the Maximum Import Capability and Import Capability Allocation provisions topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue.

8. Must Offer Obligations concepts

Please provide your organization's feedback on the Must Offer Obligation concepts topic. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time on this issue.

9. Local capacity assessments with availability-limited resources

Please provide your organization's feedback on the Local capacity assessments with availability-limited resources topic. Please explain your rationale and include examples if applicable.

CLECA appreciates the recognition that it is the portfolio of resources to provide both the capacity and energy requirement in a local area that is important, rather than the duration of specific resources. On page 103, the CAISO commits to "As a first step CAISO will publish hourly load shapes and available resource data to inform procurement aligned with energy needs in each local capacity area and sub-

area"; this will assist load serving entities to procure an appropriate portfolio of resources, which can include energy limited resources.

10. Slow demand response

Please provide your organization's feedback on the slow demand response topic. Please explain your rationale and include examples if applicable.

As CLECA has mentioned in previous comments, slow demand response does provide a load reduction within the 20 minutes and it should be credited for the value it can provide. Customers on the base interruptible program, when they are informed of an event to reduce load, begin curtailing load in a managed process to ensure safety and prevent damage to equipment. This is similar to a ramp rate for a thermal resource. In the case of a 30-minute base interruptible program, some amount of load reduction will be provided in 20 minutes. For example, for a 10 MW resource, perhaps 8 MW would be available in 20 minutes. Since some load response is provided in 20 minutes, that amount of response should be recognized for its contribution to reliability. The CAISO should clarify that amounts available in 20 minutes--using a measurement methodology approved by the local regulatory authority--will be recognized as counting for local RA. Failure to recognize this will lead to additional costs to procure resources that are not be needed because of the load drop that will occur. Moreover, it would "unnecessarily diminish" the demand response resource, contrary to the CPUC's determination on this issue (*see* D. 16-06-045, at 36-38). To date, the CPUC has not adopted a 20-minute requirement and none is anticipated in its June 2019 RA Track 3 decision.

Additional comments

Please offer any other feedback your organization would like to provide on the April 8-9 RA Enhancements stakeholder working groups.