

CPUC Staff Comments

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

Submitted by	Company	Date Submitted
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Thank you for considering our comments in response to the August 10th Working Group Meeting discussion for the Regional Resource Adequacy initiative. CPUC Staff takes this opportunity to reiterate past comments, and request clarification on topics discussed in the previous working group meetings.

CPUC Staff recommend deferral of CAISO Board adoption of a regional RA proposal until a final governance proposal has been reviewed and approved by the governor and legislature. Based on current projections for when this approval might occur, CPUC staff recommends that regional RA not be considered by the Board until 2017. Decisions about regional RA cannot be fully considered, much less finalized, in isolation from decisions about fundamental aspects of a regional ISO governance structure. The existing CAISO Board should not approve a regional RA structure or “framework,” including tariff amendments to implement regional RA, before a regional governance structure has been approved. Such a proposal may likely include provisions for delegating certain authority relating to regional RA provisions to the states or a committee of states.

Final decisions regarding potential tariff amendments will need input from all states that would be impacted and should reflect state concerns about the potential scope and direction of resource adequacy tariffs covered in the CAISO’s current proposal, including, for example, the reliability assessment, counting methods, and scope of backstop authority. Further, the CAISO Board typically votes to adopt a proposal from CAISO management before tariff language is developed. For regional RA, CPUC Staff recommend that all stakeholders and a new governing body should be given the opportunity to review actual tariff language before the CAISO submits a filing to FERC. CPUC Staff is concerned about CAISO adopting regional RA rules that are inconsistent with CPUC RA decisions, and/or tariff language that locks rules into place which the CPUC could decide to change in future RA proceedings, as it would be burdensome and inefficient for CPUC-jurisdictional LSEs to follow two sets of rules in procuring capacity. This concern supports our request for the governance structure to be agreed upon before the CAISO Board adopts a regional RA proposal.

Feedback on the August 10 Regional RA Working Group:

1. Explanation of the Regional RA Reliability Assessment Validation of LSE RA Timelines for Supply Plans and Capacity Procurement Mechanism (CPM) Assessments

CPUC Staff notes that the timelines shared for supply plan submission, validation, and “final” CPM decision seem very ambitious, based on current practice. Currently, CPUC Staff often finds that the month-ahead timelines set by the CAISO are not strictly followed, significantly compressing the timeframes for the CPUC to perform validations. We understand that the timing presented at the working group has not yet been filed as tariff amendments at FERC (or approved), and so it seems that it may be premature to discuss it in the context of Regional RA as if it is final. It is also not clear that

moving the timing of the final CAISO decision on CPM in the month-ahead from T-11 to T-25 was part of the RSI 1 package that the Board approved (referring to the “Appendix” in the final RSI 1 proposal). This timing could be problematic, especially when applied to a Regional Reliability Assessment performed in the month ahead timeframe. CPUC Staff is concerned that, if this timing is adopted by FERC, LSEs may not have sufficient time to procure additional capacity once CAISO has determined that there is a collective deficiency requiring a CPM. CPUC Staff recommend that CAISO preserve the current timing: a monthly CPM assessment at T-30, with an opportunity for LSEs to cure until T-11.

For the annual assessment, CPUC Staff continues to recommend that CAISO evaluate the potential to make year-ahead RA showings advisory and not subject to potential backstop authority, while retaining its monthly backstop authority, when needed to cure collective or cumulative deficiencies in system, local, or flexible resource adequacy.

2. CPM Cost Allocation

CPUC Staff recommends that the proposal for cost allocation to LSEs include a procedure for consulting with the LRA before cost allocation determinations are made. “If ISO makes a decision to backstop a remaining cumulative deficiency, associated costs will be allocated to LSEs that have not met their individual RA requirements.” CPUC Staff sees the potential for a situation where the CPUC has determined that an LSE *has* met its RA requirement, but CAISO finds that it has not. In this situation, CAISO should not be able to unilaterally decide to assign all CPM costs to that LSE.

3. Questions about the Reliability Assessment Proposal

- a. Will CAISO defer to the LRA adopted rules for capacity counting when assessing any deficiencies in local areas, in the instance that a local area is fully within the jurisdiction of a single LRA? There seems to be no need to apply the “standard regional” methods for this type of local assessment.
- b. How will CAISO assess whether there is a system wide flexible deficiency? At the July working group the CAISO said that any “changes” to flex RA counting will be considered in FRAC-MOO, but, the method for assessing the *sufficiency* of system-wide flexible RA procurement should be outlined in this initiative. That method is not actually a change to flexible counting, but more about how the flexibility needs assessment is conducted. An illustrative example was shared in an earlier straw proposal for how CAISO could calculate system-wide flexible capacity needs in a regional system, where system peaks are not coincident (and therefore there may not even be a system wide “need” to meet a 3-hour ramp), but there has not been a formal proposal or methodology discussed with stakeholders.

4. Other Feedback on the Regional RA Reliability Assessment, Planning reserve margin (PRM) Determination, and Uniform Counting Rules Proposal:

CAISO clarified at the working group that it is planning to administratively establish a PRM at 115% of forecasted system peak load initially, and that it will conduct a probabilistic PRM study at some (unspecified) future time. CPUC Staff would like more information on this plan and timing, and continue to believe that while probabilistic reliability assessments are indeed best practice, there are LRAs that prefer to perform those studies on their own behalf. Integration of stochastic studies from multiple BAAs would require a clear and transparent process, but would also preserve the role of individual states in planning for their own systems, and this would be valuable. In addition, collecting and

integrating studies from the various BAAs that ultimately join the regional ISO will enable the ISO to gain from the experience and review of the several state agencies that already perform studies.

In past meetings on the Regional RA proposal, CAISO stated its desire to give “deference” to LRA counting rules as much as possible. There was little discussion of plans to give deference to any CPUC RA rules or counting conventions at the August 10th Working Group Meeting. CPUC Staff recommend that CAISO adopt the CPUC’s current rules when there is no other LRA in the (future) regional ISO that has adopted conflicting rules. Currently, the CAISO’s “default” RA rules are identical to the CPUC adopted rules and conventions.

5. Concerns Regarding Capacity Valuation for Non-Generating Resources

CPUC Staff is concerned about the proposal for capacity valuation for non-generating resources such as Demand Response (DR) and Storage. The capacity value methodology of DR that is integrated into the wholesale market, so called “supply side DR”, was determined through a collaborative CPUC-CAISO process, established in CPUC D.14-06-050, and modified slightly in a recent (June 2016) decision. The CPUC is expected to consider further refinements in the coming year. CAISO should coordinate its process with the outcomes from the current CPUC DR and RA proceedings over the next year. CPUC Staff opposes the *monthly* 4 hour capacity testing for DR proposed in the working group because it may be unnecessary burdensome and costly.