



Comments of Cogentrix Energy Power Management, LLC on the 2018 and 2022 Local Capacity Technical Analysis Draft Reports and Study Results

Submitted by	Company	Date Submitted
Greg Blue gregblue@kogentrix.com (925) 323-3612	Cogentrix Energy Power Management, LLC	April 20, 2017

Cogentrix Energy Power Management, LLC (Cogentrix) appreciates the opportunity to participate in the CAISO’s Local Capacity Requirements Process. Cogentrix recognizes the considerable effort that the CAISO staff has put into the technical studies for the identification of local capacity requirements. Upon review of the draft study results, Cogentrix submits the following comments on the 2018 and 2022 Draft Reports and Study Results.

2018 LCTA Draft Report and Study Results

Summary of Results - San Diego-Imperial Valley Area

2018 Net Qualifying Capacity (NQC) – Cogentrix reiterates its prior comments at the CPUC, the CEC and the CAISO that the assumption that all existing generation will be available in the future to accommodate supply deficiencies is erroneous. For example, there can be no assurance that Cogentrix’s two flexible peaking plants in the San Diego area will be available in 2018 absent receiving an adequate contract for its availability in future years.

Further, the NQC list includes multiple assets whose availability for 2018 is uncertain based on publicly available information. For example, the 2018 NQC list includes Encina Units 2 through 5 despite the fact that Encina currently does not have authority to operate past its once-through cooling compliance date of December 31, 2017. CAISO staff’s response to this supply counting methodology at the April 13 Stakeholder Meeting is that the NQC list represents all physical assets currently connected to the grid and not yet retired, and by implication is not necessarily a list of what is available to be procured by LSEs.

Similarly, as addressed in the public filings of Atlantic Power, there are three gas-fired generation assets on Navy or Marine bases within the San Diego LCR totaling 115 MWs. As disclosed by Atlantic Power to the market, the PPAs are subject to early termination early due to loss of steam host and loss of site control at end of February 2018. Atlantic Power has indicated that its steam offtakers do not intend to take steam beyond that date. Further, the Navy is carrying out a public solicitation for the repurposing of the land on which the plants sit to repurpose the sites beginning as soon as the steam contracts expire, which may result in an early retirement of the plants (see Atlantic Power Q4 FY 2016 Management presentation and prepared remarks¹). Nevertheless, the PPAs for the projects all expire in December 2019 and the plants are included on the NQC list for 2018. These projects should be adjusted out the 2018 NQC list for the purposes of the technical study, and not be reflected in the available resources for the San Diego-Imperial Valley Area.

Cogentrix suggests that assets that have no certainty of availability and no contracts to establish a must-offer obligation for 2018 or beyond should be adjusted out of the NQC list used in these studies. Similarly, assets that may be forced to leave the market due to regulatory considerations or a loss of site control should be excluded from the NQC list as well. The CAISO, therefore, should take the necessary step of performing sensitivities to adjust for units that have moderate or substantial uncertainty of availability on the surface, or have otherwise notified the CAISO of such risks, for 2018 and beyond. Cogentrix cautions against including supply that faces considerable risk of unavailability with only a few months remaining until the annual supply plan deadline. Even with the inclusion of all resources in the NQC supply tally, the SD-IV local area is one minor adjustment or correction away from demonstrating an LCR capacity shortfall in 2018.

Aliso Canyon Gas Storage Constraint – Cogentrix supports the continued efforts to determine the effects of the latest decisions surrounding the Aliso Canyon gas storage facility. As the report notes, more study is necessary to determine the “meaning and extent” of tubing flow only operation. Cogentrix encourages the CAISO to be transparent and timely to the market with updates regarding Aliso Canyon, and in particular how changes in the understanding of reliability will impact the monthly requirements in 2018.

Imperial Valley Solar Sensitivity Study – The 2018 report presents a sensitivity around Imperial Valley solar generation being unavailable following the identified G-1/N-1 contingency. The 2018 analysis indicates that under this sensitivity, the San Diego sub-area requirement increases about 750 MW as there are no further resources available in the Imperial Valley that can be dispatched, and the next available resources are located in the San Diego sub-area. The report states, however, that the sensitivity study was conducted for risk assessment purposes and was not intended to set the local capacity requirements.

¹ “Q4 and FY 2016 Management’s Prepared Remarks” and “Q4 and FY 2016 Earnings Call Presentation”, <http://investors.atlanticpower.com/presentations>.

Cogentrix strongly supports the effort to explore the Imperial Valley Solar Sensitivity and requests that the CAISO provide more information on how it intends to address the considerable reliability contingency highlighted in this sensitivity. Considering that sudden dislocations in solar generation are one of the greatest reliability concerns that the CAISO faces, Cogentrix supports the inclusion of a solar sensitivity when setting the San Diego-Imperial Valley LCR in 2018 and beyond.

Transmission Delay Sensitivities – Similar to the Solar Sensitivity, Cogentrix strongly supports the inclusion of analysis of risks beyond the minimum contingencies. Cogentrix believes that if there is a substantial risk of delays that would impact either peak demand months, or other periods of potential constraints such as peak net ramping requirement months, it could give rise to the need to include a transmission sensitivity or adjust the base LCR in the technical analysis.

2017 LCR Corrected Value

In the 2018 Local Capacity Technical Analysis Draft Report and Study Results, the CAISO states, "...in the 2017 LCR report, the San Diego-Imperial Valley study and the LA Basin-San Diego overall study had inconsistent assumptions regarding LA Basin resources, resulting in lower LCR value reported for the San Diego-Imperial Valley LCR area (3,570 MW). This value should have been 4,635 MW based on the lower LA Basin generation dispatch associated with the Aliso Canyon gas storage constraint scenario used for the 2017 LCR study."

This new information indicates that the LCR for San Diego in 2017 should have been 1,065 MW higher, which would have had a material impact on LSE procurement requirements. This material error went unannounced to the market until this year. The corrected figures would have created a scenario in which the CAISO, LSEs and generators were operating under different assumptions. Generators were operating under misleading assumptions when bidding 2017 Resource Adequacy product, and LSEs were under the assumption that their procurement obligations were correct but in fact it was artificially low.

When Cogentrix asked as to whether the 2017 monthly requirements would be revised upward to meet the corrected Local Capacity Requirement in the April 13 Stakeholder Meeting, CAISO staff responded that the LSEs in Southern California had collectively procured enough to meet the reliability requirements. Without supporting evidence, Cogentrix is skeptical of this response and requests supporting documentation. Such a scenario would employ an over-procurement relative to the incorrect original LCR requirements by nearly 30% in terms of volume. Cogentrix has met with all of the IOUs, most of the CCAs and many of the Munis in the state on multiple occasions; without fail they state that they are not procuring excess RA above CPUC requirements, making a 30% over-procurement over published requirements highly unlikely. Frankly, it is much more plausible that LSEs were asked to procure more RA before the 2017 process concluded than to believe that they over-procured to such an extent, suggesting

a potential asymmetrical distribution of information. For these reasons Cogentrix seeks more detailed information and transparency on the corrected 2017 monthly requirements in the final report and a demonstration of adequate procurement by LSEs relative to the corrected figures.

2022 LTCA Draft Report and Study Results

Summary of Results - San Diego-Imperial Valley Area

2022 Net Qualifying Capacity (NQC) – Cogentrix reiterates its concerns related to the 2018 Draft LCTA for the 2022 LCTA. The NQC list shows the two Cogentrix peaker plants as being available in 2022, without any contracts in 2018 and beyond. Without a contract for 2018 it is probable that these plants will not be available in 2022 and should not be included on the NQC list. In addition, the Navy and Marine base-located assets mentioned above are also on the 2022 NQC list. The Navy’s intentions to repurpose the land are clear and the ability of the plants to operate beyond February 2018, much less through 2022, is in doubt.

Imperial Valley Solar Sensitivity – As mentioned above Cogentrix strongly supports incorporating this sensitivity into the base case for 2018, and also supports including in the long-term studies going forward.

Transmission Delay Sensitivities – As mentioned above, Cogentrix notes that there are potential delays in transmission projects that could give rise to the need to include sensitivities or adjust the LCR based on project delays.