

# Comments on Resource Adequacy Enhancements Phase 2 Straw Proposal

Department of Market Monitoring

October 26, 2021

## Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Resource Adequacy Enhancements Phase 2 Straw Proposal*.<sup>1</sup> In this phase, the ISO proposes changes and clarifications to must-offer obligations and bid insertion rules, and proposes a phased approach to address flexible resource adequacy. DMM provides comments on these issues below.

## Comments

***DMM recommends that the ISO continue to move forward with key components of its import resource adequacy proposal in this phase of RA enhancements.***

DMM recommends that the ISO continue to move forward with considering many of its previously proposed changes to rules for resource adequacy imports. In particular, DMM supports the ISO's prior proposals to require that import resource adequacy be associated with a specific source and to extend the real-time must offer obligation to import resource adequacy. DMM believes that moving forward with these enhancements would represent improvements to the import resource adequacy framework. DMM and other parties had unresolved concerns regarding the firm transmission aspect of the ISO's import resource adequacy proposal. However, DMM believes that the ISO could move forward with other key components of its prior import resource adequacy proposal while delaying or moving issues regarding firm transmission to another initiative.

***DMM supports the ISO's proposed extensions of must-offer and bid insertion rules.***

DMM supports the ISO's proposed extension of bid insertion rules for use-limited, conditionally available, and storage resource adequacy resources. These resources generally have or will have default energy bids (DEBs) and opportunity costs estimated by the ISO. Therefore the ISO should be able to insert estimates of resources' costs should scheduling coordinators (SCs) not submit offers or outages for their capacity.

DMM also supports the ISO's sentiment that it is preferable for SCs to reflect physical limitations on resources including charging limitations in outage cards, rather than simply not submitting bids. Additionally, DMM supports the ISO's preference for resource adequacy

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<sup>1</sup> *Resource Adequacy Enhancements Draft Final Proposal*, California ISO, October 5, 2021:  
<http://www.caiso.com/InitiativeDocuments/StrawProposal-ResourceAdequacyEnhancementsPhase2.pdf>

resources seeking investment tax credits to reflect their full physical ability to the grid and to manage economic incentives through energy bids. The ability to charge from both on-site generation and the grid maximizes charging opportunities, and as such can maximize the potential availability of resource adequacy capacity that depends on state-of-charge.<sup>2</sup>

DMM notes that while inserting charge bids for storage resources providing resource adequacy could better ensure that storage resources are available to discharge in day-ahead and real-time, there are currently no resource adequacy-related incentives to make charging available to the ISO. Even with the proposed charging must-offer obligation, SCs may de-rate charging via outage cards. Because RAAIM is currently assessed on the discharge range, resources would not face financial implications from de-rating charging capabilities under the current RAAIM framework. DMM continues to recommend that the ISO consider de-rates to Pmin (charge range) and de-rates to max energy (state of charge) in RAAIM calculations.<sup>3</sup>

***DMM recommends that the ISO consider removing the exemption for long-start proxy demand response providing resource adequacy to be available in RUC.***

DMM continues to recommend that the ISO consider removing the exemption for long-start proxy demand response to be available in RUC. This exemption does not exist for other long-start resources providing resource adequacy.<sup>4</sup>

Over the past two years, the percentage of proxy demand response providing resource adequacy which is qualified as long-start has increased significantly. This means an increasing amount of proxy demand response is not available in RUC or real-time if not cleared in the IFM. To ensure that a significant portion of the demand response resource adequacy fleet can continue to be available in real-time, the ISO should consider removing the exemption for long-start proxy demand response to be available in RUC.

***Any changes to must-offer obligations related to day-ahead market enhancements (DAME) should be contained within the DAME policy, not separately in RA Enhancements.***

While DMM appreciates the ISO outlining how it plans to determine potential changes to the flexible RA framework based on the DAME policy, any changes to must-offer obligations and bidding rules dependent on DAME should ultimately be contained within the DAME policy, not RA Enhancements. The DAME policy is still being developed and it is not yet clear when the ISO

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<sup>2</sup> *Comments on Hybrid Resources Final Proposal*, DMM, October 30, 2020, p. 4:  
<http://www.caiso.com/Documents/DMMComments-HybridResourcesPhase2FinalProposal-Oct302020.pdf>

<sup>3</sup> *2020 annual report on market issues and performance*, DMM, p. 289:  
<http://www.caiso.com/Documents/2020-Annual-Report-on-Market-Issues-and-Performance.pdf>  
*Comments on energy storage enhancements working group*, DMM, August 10, 2021, pp 7-8:  
<http://www.caiso.com/Documents/DMM-Comments-on-Energy-Storage-Enhancements-Working-Group-Aug-10-2021.pdf>

<sup>4</sup> *2020 annual report on market issues and performance*, DMM, p. 286:  
<http://www.caiso.com/Documents/2020-Annual-Report-on-Market-Issues-and-Performance.pdf>

will finalize its proposal. The ISO should not prematurely propose and seek approval for changes to must-offer obligations under RA Enhancements which are dependent on the DAME design.