

Comments on Regional Resource Adequacy: Revised Straw Proposal

Department of Market Monitoring
May 16, 2016

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the Regional Resource Adequacy: Revised Straw Proposal. DMM supports the ISO's proposal to update current resource adequacy program rules to facilitate regional expansion and maintain grid reliability. DMM's comments focus on the ISO's proposal to establish uniform counting methodologies for resource adequacy resources and the treatment of non-resource-specific imports.

Non-resource-specific resource adequacy resources

The ISO proposes to establish uniform counting methodologies in order to conduct the reliability assessment and protect against the possibility of load serving entities 'leaning' on one another. The ISO states that counting methodologies will be used to evaluate the amount that each resource type is able to effectively contribute towards meeting the ISO's reliability needs. The ISO proposes resource specific counting methodologies for thermal, nuclear, solar, wind, hydro, storage, qualifying facilities, and demand response resources.

Currently there is also RA capacity served by imports that are not resource specific. The ISO's proposal does not include a counting methodology or specific guidelines on how these non-resource-specific resource adequacy (NRS-RA) resources should be procured and counted. Oversight for NRS-RA resource procurement is conducted by each local regulatory authority and is largely not visible to the ISO. The ISO's April 13 paper on this issue indicates that imports used to meet resource adequacy requirements "are considered to be a firm monthly commitment to deliver those MWs to the ISO."¹ However, the integrated resource plans for utilities in other states, such as those in the PacifiCorp area, currently indicate that these entities rely on bilateral spot market purchases to meet a significant portion of the peak capacity needs.

DMM is recommending that the requirements and expectations relating to the physical availability of imports used to meet resource adequacy requirements be further discussed and clarified as part of this initiative. This is important since imports used to meet resource adequacy obligations are required to bid in the day-ahead market, but are not subject to any limits on bid price and do not have any must-offer obligation in real-time if not accepted in the day-ahead market.

Thus, DMM believes it is important for all stakeholders and the ISO to have a common understanding of what may constitute a "firm monthly commitment" for the purposes of meeting resource adequacy requirements. This is increasingly important as the ISO expands regionally to include additional load-serving entities that currently rely on established integrated resource planning processes subject to regulation by other states. This is also needed to provide a framework for any monitoring of the compliance of resource adequacy imports with market rules or expectations.

¹ *Regional Resource Adequacy Revised Straw Proposal*, April 13, 2016, p. 19:
<http://www.caiso.com/Documents/RevisedStrawProposal-RegionalResourceAdequacy.pdf>.

Qualifying Capacity Testing

Currently the scheduling coordinator for a resource is responsible for requesting tests of the resource's maximum output capability.² However, over time, the generation may not be able to perform to the same standards as when it was first tested. If this is so, the scheduling coordinator does not have an incentive to re-test the unit. This is because a re-test could result in a decrease in the unit's qualifying capacity. This is an issue because it could result in Master File characteristics that are incorrect and reliability concerns if resources are 'counted' for more capacity than they can physically provide. DMM recommends that the ISO establish requirements for the qualifying capacity of resource adequacy resources to be tested on a regular basis in order to provide assurance that the values are physically attainable.

² ISO Operating Procedure no. 5330.