

Stakeholder Comments

Resource Adequacy Availability Incentive Mechanism Modification Draft Final Proposal issued on September 21, 2017

Submitted by	Company	Date Submitted
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SCE herein provides comments on the Resource Adequacy Availability Incentive Mechanism (RAAIM) Modification Draft Final Proposal (Proposal) issued on September 21, 2017.¹ SCE appreciates the recognition of the shortcoming and problems of the current RAAIM and the effort being made to correct the incentives for offering system or flexible capacity. The Proposal resolves many of the short comings of the current mechanism by removing the megawatt hour basis in the calculation, however, it still calculates a worse of penalty when a resource provides both forms of capacity. As explained in more detail below, this creates different penalties which will impact the incentives for offering capacity types and may have unintended consequences.

1. The current proposal results in disparate outcomes for providing the same service.

In a Resource Adequacy (RA) month, for example, a Schedule Coordinator (SC) provides a single 2 MW resource that is capable of providing both flex and system RA. For the RA month, that SC shows 2 MW of system and 1 MW of flex from the same combined resource. During the RA month, the SC bids 1 MW in all hours. The logical result then is that the SC met 100% of its flex obligation and 50% of its system obligation. Utilizing the CAISO published penalty/incentive calculator, SCE obtained the following result:

¹ <http://www.caiso.com/Documents/DraftFinalProposal-RAAIMCalculationModifications-clean.pdf>

January 2 MW unit offers RA of 2 MW System and 1 MW Flex. Bid 1 MW during all hours.				
	System Capacity Provided	Flexible Capacity Provided	Incentive Payment	Penalty Charge
System Capacity shown as RA	1 MW			\$3,577.77
Flexible Capacity shown as RA		1 MW	\$170.37	

One would presume that the entire incentive payment is due to meeting all of the flex obligation while the penalty amount is entirely due to meeting only half of the system obligation.

Suppose that in the following RA month the same SC shows the same resource only this time, they do not show the resource for flex but do show 2 MWs of system. Again, the SC bids (or self-schedules) 1 MW in all hours of the RA month. Utilizing the CAISO provided calculator SCE obtained the following:

February 2 MW unit offers RA of 2 MW System and 0 MW Flex Bid 1 MW during all hours.				
	System Capacity Provided	Flexible Capacity Provided	Incentive Payment	Penalty Charge
System Capacity shown as RA	1 MW			\$3,369.54
Flexible Capacity shown as RA		0 MW		

Since the SC did not show any flex RA from this resource, any and all penalty/incentive amounts must be solely attributable to the provision of System RA. While in the two months, the SC provided exactly half of the system capability, the two months result in different penalties. SCE does not see why a resource from the same SC being treated differently for identical performance is a rational outcome just because in one month, the resource shows both attributes and in another it does not.

SCE believes that each service should be measured and compensated separately, such that the net penalty would result in consistency for each scenario by recognizing the

reliability service that is provided for combined resources. This would mean that the CAISO would not apply the "worse of" performance metric for resources providing both system/local and flex but rather evaluate those performances separately and reward/penalize based upon their performance individually against the metric for the reliability service independently. This would then recognize any and all reliability obligations that are met or not met by any type of resource whether providing a single or multiple reliability elements.

2. The current proposal needs to provide clarity on how outages will be treated in the RAAIM calculation.

Outages that are exempt will reduce RA Obligation for the impacted hours, if there is a priority in assigning reduction in obligation to either Generic or Flex Obligation. SCE recommends the CAISO incorporate the formula inside the RAAIM Business Practice Manual (BPM) for clarity and transparency, as opposed to performing this calculation outside the BPM. In particular, SCE requests that CAISO include in the BPM the following example from the Reliability Services Initiative Business Requirements Specification to illustrate the adjustment:

5. Appendix A: Eligible RAAIM Outage MW

