

# Stakeholder Comments Template

## Regional Resource Adequacy

### December 1, 2016 – Draft Framework Proposal

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide comments on the CAISO Regional Resource Adequacy (RA) Draft Framework proposal<sup>1</sup>. Developing a proposal that results in changes to the RA program for new Participating Transmission Owner (PTO) members of an expanded ISO is challenging and SCE appreciates the CAISO's efforts to develop a proposal and incorporate feedback from prior comments. It is SCE's understanding that there is no plan to bring this proposal to the CAISO Governing Board for approval, but it will be available as the CAISO's current thinking on Regional RA. The framework may be approved or modified in the future should the regional expansion process move forward. While the current framework is well-conceived and has a good general foundation there are still some areas that can be improved.

#### 1. Load Forecasting

- a. SCE Supports Load Modifiers Being under the LSE/LRA Control.

SCE agrees that the load serving entities (LSEs) and their local regulatory agency (LRAs) are best positioned to determine the ability and efficacy of Load Modifiers, such as Demand Response (DR) programs to provide for resource adequacy. There have been and will continue to be a multitude of programs and customer choices that will, with varying degrees, meet the peak load and

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<sup>1</sup> Proposal dated December 1, 2016 <http://www.aiso.com/Documents/RegionalFrameworkProposal-RegionalResourceAdequacy.pdf>

flexibility needs of the LSEs. Pre-supposing that all such programs must be integrated into the energy market in order to provide reliability value for resource adequacy is not logical. Not all DR programs are well-suited for integration into the energy market and without the appropriate load modifying value there would be a loss of these resources which California state policy has deemed preferred. Provided the LSEs and LRAs have evaluated appropriately the ability of load modifying programs to address system peak needs, such programs should count toward meeting the obligation to avoid over-procurement and incremental cost to customers.

SCE also supports the ability of the LSE or LRA to update the monthly forecast due to load migration from direct access, community choice aggregation, or similar customer choice programs.

## 2. Reliability Assessment

### a. System-Wide Planning Reserve Margin (PRM)

As noted in the CAISO proposal, the CAISO is currently working on a Western States Committee (WSC) structure that could potentially have a role in establishing a system-wide PRM. Given that such a process is not well defined and given that no discussion has occurred as to whether the CAISO default PRM would serve as any form of a minimum role or would be replaced if the WSC establishes a different number, there is not sufficient information at this stage to comment on the efficacy of the provided proposal. SCE recommends that the inputs supporting the PRM calculation be from information that is public or available with a non-disclosure agreement. SCE looks forward to reviewing any developments as the WSC methodology and its impact on PRM is developed.

### b. Uniform Accounting Rules

The proposal for uniform counting rules for supply-side Demand Response (DR) starts on a reasonable premise – if the Scheduling Coordinators (SCs) have the latitude and flexibility to determine the registered capacity for their resources, then the CAISO must have the ability to verify the capacity value of these DR resources. The CAISO

proposes two tests per year; which is a reduction from three tests in the prior proposal. The issue with the current proposal is that it still does not recognize that there are different types of DR resources, and therefore its one-size-fits-all testing approach will not accurately measure their value and may have significant negative customer impact on DR participation.

For example, reliability DR resources are designed for infrequent dispatch, under high system stress conditions. Testing these resources any more than once per year is unnecessary, will have significant negative customer impact, and will result in customers leaving these programs; leading to a potential loss of hundreds of MW that can be counted on in times of emergency. This is especially true for participating customers with commercial or industrial processes who experience significant expenses when tests are conducted. From a customer perspective, repeated testing is not the purpose of the program and is not an appropriate justification for the disruption and cost to their business. For commercial customers, excessive testing could cause them to depart from the program which is counter to California's energy policy to promote demand response participation.

Another example are weather-sensitive DR resources, which can deliver significant MW reduction during hot summer days by interrupting air-conditioning loads, which are the primary drivers of high load conditions. However, during cool summer days with plenty of excess supply, these resources may deliver only limited MW and could appear as "under-performers" even though they are fully available to mitigate high load conditions, if they were to occur. Testing the A/C interruptible resource on a cool day would not result in a valid measure of the program's ability on a hot summer day.

While the current proposal may work well for economic DR resources designed for frequent dispatch, the CAISO should work with the stakeholders to develop better or alternative accounting rules for reliability DR resources. Such rules should combine the historical experience with the DR resources in question, with reasonable testing requirements that do not over-burden customers who are willing to help the grid in time of need, but otherwise have a business to run.

SCE recommends that the CAISO consider adopting the capacity values as determined by an independent third party, and approved by the LRA. In the case of SCE, the CPUC (a LRA) has a well-established and robust methodology for determining DR capacity through its Load Impact Protocols. Since this statistical methodology is likely to provide a more robust MW estimate, it may obviate the need for additional seasonal tests. Another option is to move some DR programs as load modifying and would be under the LSE and LRA to determine the proper accounting.

One final point of clarification SCE proposes is that in the event of a failed test(s), the LSE or the Scheduling Coordinator for the resource should be able to utilize the substitution rules for the MW amount that was not verifiable in any CAISO-ordered test where such failure results in Resource Adequacy Availability Incentive Mechanism (RAAIM) penalties.

- c. RA showings and validation  
SCE offers no comments on this issue at this time.
  - d. Backstop procurement need determination and cost allocation modifications  
SCE offers no comments on this issue at this time.
3. Maximum Import Capability  
SCE offers no comments on this issue at this time.
4. Requirements for RA Imports  
SCE offers no comments on this issue at this time.
5. External Resource Substation for Internal Resources  
SCE offers no comments on this issue at this time.
6. Allocating RA Requirements to LRAs and LSEs  
SCE offers no comments on this issue at this time.
7. Monitoring Locational RA Needs and Procurement  
SCE offers no comments on this issue at this time.

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