Southern California Edison

Stakeholder Comments

RSI 2 and FRAC MOO 2 Comments

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to comment on CAISO's Reliability Services Initiative – Phase 2 and Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2: Issue Paper. SCE is supportive of the effort and agrees that these two initiatives will provide substantial benefit to stakeholders. However, SCE believes two issues described within the FRAC MOO Phase 2 scope do not yet have sufficient evidence to be considered issues.

1) The Need for Downward Flexible Capacity

2) The Need for Upward Ramping Speed

The CAISO has not shown sufficient evidence to include "The Need for Downward Flexible Capacity" within the durable FRAC MOO scope

The purpose of Resource Adequacy (RA) is to ensure that there are sufficient resources to serve all customers. Generic[1] requirements are used to verify there are enough resources to serve load and the interim Flexible RA requirement was designed to verify there are enough resources to meet daily ramps. These two purposes are straightforward in maintaining reliability, however, the CAISO's argument to now include the need for downward flexibility does not fit within the purpose of RA.

Unlike Generic and Flexible RA, there is not a reliability issue being solved with the inclusion of downward flexible capacity. While CAISO did identify reliability consequences of overgeneration in their 7/2/2015 presentation[2], these reliability issues would only occur if operators left the situation without taking action (which would never be allowed in the actual market). There are a variety of mechanisms that exist today to prevent overgeneration, including negative prices, ramping constraints, and generation management provisions[3].

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[1] For the purpose of these comments, generic RA is used to refer to system and local RA

[2] Slide 16 of http://www.caiso.com/Documents/Agenda_Presentation_ReliabilityService_FlexibleRACriteria_MustOfferObligations_Phase2IssuePaper.pdf

[3] CAISO Tariff Section 7.8: Management Of Overgeneration Conditions

Before FRAC MOO Phase 2 can include downward flexibility as an issue, the following questions need to be answered by CAISO:

1. What tools are missing that cause CAISO to not meet reliability needs, including overgeneration?
2. Why dealing with overgeneration in real time or with out of market options is a concern?
3. Why does convergence bidding not push overgeneration concerns from Real Time into the Day Ahead Market?
4. Why does the current price floor and increased frequency of negative prices not incentivize generation to place economic bids or change their behavior?

There are already sufficient tools and market mechanisms in place to deal with overgeneration. Adding extra rules to the Flexible RA definition will not only create extra costs and redundancy that is not needed, it will also negate many of the benefits of having an electricity market. A properly functioning market should provide price signals to participants to act in a manner that benefits the system. The market is beginning to do that in regards to overgeneration by having an increased frequency of negative prices in real time. Once negative prices become systematic to market participants, behavior should adapt accordingly. Rather than place additional burdensome and costly rules on generation and LSEs, market participants should be allowed to adapt to the price signals CAISO is beginning to see.

"The Need for Upward Ramping Speed" is already addressed with the interim Flexible RA product

Unlike Downward Flex RA, SCE recognize that having insufficient resources to meet short duration ramps could cause reliability concerns. However, due the makeup of the Flexible RA fleet, this is not a concern that needs to be addressed by modifying the Flexible RA framework. Ramps shorter and faster than the three hour requirement will naturally be met with the interim Flexible RA product. This is due to the fact that that the interim solution requires procurement of a large number of flexible resources to meet the largest 3 hour net load ramp identified in each month[4]. Since a large number of resources are already being procured, CAISO has the ability to dispatch resources in combinations to reliably meet shorter and faster ramps.

If CAISO believes short terms ramps will be an issue, SCE requests that CAISO identify Flexible RA portfolios that would satisfy the interim 3 hour product but not be able to meet shorter term ramps. The information for ramps has already been published by CAISO, and public sources of generation information is readily available through the LTPP. SCE has already reviewed similar data sources and believes shorter and faster ramp will be naturally met through the interim Flexible RA framework.

[4] For the 2016 compliance year, the Flex RA requirements range between approximately 7,000 and 12,000 MW