

DELIVERABILITY ASSESSMENT METHODOLOGY INITIATIVE
Comments on Straw Proposal
August 16th, 2019

SPower appreciates the opportunity to comment on the CAISO's Straw Proposal (Proposal) in the Deliverability Assessment Methodology initiative. The Proposal includes several thoughtful changes in response to earlier stakeholder comments, and this submittal suggests additional revisions that would improve that proposed framework.

SPower's comments below focus on the initiative process and timing, and on the proposed enhanced Off-Peak Deliverability Assessment.

Initiative process & timing

CAISO's plan to move Deliverability Assessment changes forward in a single package, together with congestion-mitigation measures, is a good one and should be retained. However, critical details for the package are still unresolved, especially with respect to the treatment of Network Upgrades (NUs) triggered by the new enhanced Off-Peak Deliverability Assessment.

The CAISO is planning to proceed to the Draft Final Proposal after this Straw Proposal, in order to take a final proposal to the Board in September; however, the process requires more deliberate consideration of these features, e.g., in a Revised Straw Proposal and then possible Board consideration in October. Rather than proceed before the proposal is ready, the CAISO should seek ways to expedite its internal processes to accommodate a more reasonable and complete stakeholder process.

Enhanced Off-Peak Deliverability Assessment

SPower agrees with the following general principles reflected in the Proposal:

- **This assessment should include both FCDS/PCDS and EO generation**, because the primary purpose of this assessment should be congestion analysis and mitigation. (The next proposal version should state that explicitly.)
- **Funding of these NUs should not be required for RA deliverability**, since they are not needed for deliverability in the most critical HSN/SSN hours.
- **Funding of these NUs should be voluntary**. However, the viability of this voluntary approach depends on providing potential participants with sufficient incentives, and removing disincentives, such that they will elect to fund the NUs, and it's not clear that either of the options offered have such features. Otherwise, the identified upgrades will not be constructed, even where warranted, and the additional congestion resulting from the new on-peak methodology will not be mitigated.

This means that this funding should: (1) Include benefits not available to those not electing to fund the NUs, to avoid "free rider" problems; and (2) be reimbursable. These positions are explained further below. Of the two options offered in the Proposal – Option 4 and Option 5 – Option 5 comes closest to meeting these criteria but, as described below, some revisions are needed to rationalize the proposed Off-Peak Deliverability Status (OPDS).

In addition, CAISO should give some consideration to the required timing for electing off-peak upgrade funding, and perhaps adding flexibility to the developer decision-making process. Both Options 4 and 5 require developers to make funding decisions before they know the cost to their projects. The current FCDS framework at least allows conversion to Energy Only at various stages in the study and development process once developers learn their project costs, but that flexibility is not specified for either option offered here. At a minimum, developers should have the ability to elect not to fund these upgrades once they have a reasonable estimate of allocated share (post-Phase II for Option 4, post-Phase I for Option 5).

Benefits to funding projects

Option 4 suffers from an obvious “free rider” problem, i.e., projects electing not to fund the off-peak upgrades would receive the same congestion-relief benefits as those electing to fund them. With no obvious benefits from funding (and with the funding deterrents described below), there is no strong incentive to fund, potentially making this option non-viable.

The OPDS provisions under Option 5 offer an obvious incentive to fund. However, SPower believes that this element should be modified before it is finalized, to make it more equitable between projects funding on-peak upgrades and those funding off-peak upgrades.

The Proposal would provide scheduling/curtailment priority, in both on- and off-peak hours, to projects funding off-peak upgrades, though NUs identified in the on-peak assessment are arguably more important for system reliability than off-peak upgrades. For example, under the CAISO’s proposal, projects funding on-peak upgrades for FCDS but electing not to fund off-peak upgrades would have lower self-schedule priorities, in all hours, than Energy Only projects funding only off-peak upgrades.

More interestingly, the CAISO has always maintained that funding on-peak upgrades could not and/or should not carry any operational scheduling or curtailment priority, though many market participants have advocated such priorities over the years. The Option 5 proposal demonstrates that the CAISO has the capability, at least, to provide such priorities, and SPower strongly supports implementation of this fair and equitable principle.

Therefore, SPower believes that it would make more sense for the CAISO to do the following:

- (1) Give projects funding on-peak upgrades (FCDS/PCDS projects) the proposed scheduling and curtailment priority in on-peak hours; and
- (2) Give projects funding off-peak upgrades scheduling and curtailment priority in off-peak hours.

Deterrents to funding projects

The proposed (but unspecified) reimbursement limits under Option 4 would exacerbate the free-rider problem, since they would increase the net cost to funding participants. Moreover – depending on the limits adopted – they could serve as a major disincentive for funding these NUs and, together with the free-rider problem, may make that option non-viable, as noted above.

sPower believes that funding of off-peak NUs should be reimbursable in any case, i.e., that provision should be added to Option 4 if it is chosen and retained in Option 5 if it is chosen.

These upgrades are thus effectively the equivalent of TPP Policy-Driven upgrades (though they are addressed here due to stakeholder concerns about delays with TPP consideration). The off-peak NUs would be specifically identified to prevent significant operational impairment of existing/earlier-queued, largely renewable generation projects, and they would be dropped later through the annual Reassessment process if no longer needed for that purpose. They would therefore serve a “policy-driven” purpose, to maintain the state’s ability to meet Renewables Portfolio Standards (RPS), and should be reimbursable as such.

Finally, the CAISO has not specified a methodology to determine a reasonable off-peak reimbursement limit. The current Reliability Network Upgrade (RNU) reimbursement limit was determined using a percentage of historic RNU costs and (per recent changes) will be escalated over time. The CAISO has no similar history for congestion-related off-peak NUs.