



## Stakeholder Comments Template

### Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the RA Enhancements stakeholder working group held on April 8 & 9. The stakeholder meeting presentation and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on April 22.

| Submitted by                 | Organization  | Date Submitted |
|------------------------------|---|----------------|
| Bonnie Blair<br>202-585-6905 | Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, CA ("Six Cities") | April 22, 2019 |

**Please provide your organization's comments on the following issues and questions.**

#### 1. **Unforced capacity concepts: Inclusion of forced outage rates in capacity counting/valuation**

Please provide your organization's feedback on the capacity counting and forced outage rate/unforced capacity topic. Please explain your rationale and include examples if applicable.

**Six Cities' Comments:** In addition to the principles identified at Slides 10 and 11 of the presentation for the April 8 and 9, 2019 Resource Adequacy Enhancements Stakeholder Work Group (the "Work Group Presentation"), the ISO should include as a guiding principle for reformation of the RA framework an objective of enabling and encouraging provision of RA capacity by a wide variety of resources and optimizing the use of capacity attributes of all available resources. The Six Cities have experienced increasing difficulty in procuring RA capacity. Overly restrictive eligibility requirements and/or unnecessarily stringent availability standards will limit the pool of resources able and willing to provide RA capacity. In light of the apparently tightening supply conditions for RA capacity and the continuing transformation of the resource fleet, it would be counter-productive and detrimental to reliability to impose

unnecessarily prescriptive or demanding eligibility or availability requirements that would have the practical effect of discouraging resources from offering RA capacity or disqualifying them altogether.

If the ISO decides to implement a UCAP-based approach for establishing RA requirements and counting rules, the definition of Forced Outage should be changed. Under the currently effective Tariff, classification of an Outage as a “Forced Outage” is not based on the cause of an Outage, the purpose for the Outage, or the nature of any work to be performed during an Outage but instead is based solely on the timing of the request for the Outage. Appendix A of the Tariff defines “Forced Outage” as “An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the Day-Ahead Market or RTM bidding processes.” This definition does not limit Forced Outages to outages caused by equipment failure, anticipated equipment failure, or operating emergency.

Multiple provisions of the ISO Tariff, Business Practice Manual for Outage Management, and Operating Procedures define the “sufficient notice” period referenced in the definition of Forced Outage as a minimum of seven days, resulting in automatic application of the Forced Outage classification, regardless of the reason for the Outage, to any Outage requested less than eight days in advance:

- Tariff Section 9.3.6.4.1(c) provides, “[a] request for a Maintenance Outage that is submitted seven days or less prior to the start date for the Outage shall be classified as a Forced Outage.
- BPM for Outage Management Section 2.4 (at page 13) provides that Outages are classified as “ISO Forced if submitted 8 days or less in advance of the outage start day.”
- BPM for Outage Management Section 4.1 (at page 25) likewise provides, “A request for a Maintenance Outage that is submitted seven days or less prior to the start date for the Outage shall be classified as a Forced Outage.”
- Operating Procedure No. 3220 (Generation Outages) Section 3.1.1 provides:

New Outage requests or requests to change Approved Maintenance Outages submitted seven (7) calendar days or less prior to the start of the Outage are designated as Forced Outages.

The preferred medium for submitting Outage requests is through the ISO outage management system (OMS). . . . The ISO OMS will automatically designate an Outage as either Planned or Forced based on the date of submittal. [Emphasis added.]

It would not be appropriate to apply the definition of Forced Outage currently reflected in the ISO Tariff and related documents to calculate UCAP values, because it would sweep in outages taken for planned maintenance and thereby potentially understate the UCAP calculation.

The Six Cities also emphasize that counting rules and eligibility standards for RA resources must be clearly defined well in advance of annual procurement cycles in order to minimize risk of ineffective procurement by LSEs.

## 2. Flexible RA concepts

Please provide your organization's feedback on the Flexible RA topic. Please explain your rationale and include examples if applicable.

**Six Cities' Response:** Subject to further development of definitions and implementation details, the Six Cities preliminarily support the development of Fast Ramping and Long Ramping categories for Flexible RA capacity as summarized at Slides 38-39 of the Work Group Presentation and agree that intertie resources should be eligible to provide Flexible RA capacity.

## 3. RA showings and assessments

Please provide your organization's feedback on the RA showings and assessment topic. Please explain your rationale and include examples if applicable.

### a. Portfolio assessment

Please provide your organization's feedback on the portfolio assessment sub-topic. Please explain your rationale and include examples if applicable.

**Six Cities' Response:** Subject to further development of implementation details, the Six Cities preliminarily support System UCAP assessment as described at Slide 63 of the Work Group presentation. However, pending development of further details concerning the system assessment methodology, the Six Cities express no position at this time regarding potential expansion of the ISO's Capacity Procurement Mechanism authority to address deficiencies identified in the system portfolio assessment as referenced at Slide 66.

## 4. Planned Outage Substitution

Please provide your organization's feedback on the Planned Outage Substitution topic. Please explain your rationale and include examples if applicable.

**Six Cities' Response:** As discussed in the Six Cities' February 6, 2019 Comments on the Resource Adequacy Enhancements – Straw Proposal Part 1, there is a pressing need for comprehensive review, revision, and reorganization of the ISO's outage management rules, availability requirements, substitution rules, and availability incentives. As presently applied, the outage management process and substitution requirements are non-

transparent and erratic. The outage management rules and availability expectations, which clearly are interrelated, are scattered across multiple tariff sections, different Business Practice Manuals, and different Operating Procedures. Many provisions relating to these topics are ambiguous or inconsistent with other provisions or both. Isolated “clarifications,” “refinements,” or “enhancements” to these provisions will not be likely to resolve the current complexity, ambiguity, and internal inconsistency that make the outage and availability rules unduly burdensome for market participants and counter-productive in relation to the ISO’s stated objectives. As part of this initiative, the ISO should gather all of the provisions relating to outage management and availability requirements from across the many tariff sections, BPMs, and Operating Procedures where they currently reside, develop a coherent set of objectives for outage management and availability, and use those objectives as the basis for revising the rules relating to outage management and availability requirements to be expressed clearly, to be consistent with the framework of objectives, and to be consistent with each other.

With respect to objectives, The Six Cities recommend that the following principles guide the formulation of outage management rules and availability requirements:

- The rules should encourage resource owners and Scheduling Coordinators to coordinate with the ISO in advance with respect to planned outages, including outages for routine maintenance and non-emergency repairs or replacements.
- The rules should encourage resource owners and Scheduling Coordinators to avoid outages during periods when the system is stressed but not be so punitive as to discourage resources from providing RA capacity.
- The eligibility criteria and availability requirements should be designed to produce an RA fleet that is likely to be capable of satisfying RA requirements, but they should not be so restrictive as to disqualify capacity capable of contributing to reliability or discourage resources from providing RA capacity.
- Any penalties for non-availability should distinguish between isolated outages not reasonably avoidable by the resource owner and repeated outages. The ISO should consider implementing graduated non-availability penalties, scaled with respect to both frequency of outages and system conditions at the time of an outage (*i.e.*, higher penalties for repeated outages and/or outages during stressed system conditions).

The Six Cities support the concept of establishing a bulletin board identifying capacity available to provide substitute RA capacity.

In addition, if LSEs continue to hold capacity that is eligible to provide RA capacity but has not been included in an RA showing, the Six Cities recommend that the ISO explore the concept of allowing “conditional” or “recallable” substitution. Under this concept, an LSE with capacity it does not need for a monthly RA showing could make that capacity available to another LSE that requires substitute capacity subject to recall if the LSE originally holding the extra capacity unexpectedly needed the capacity to substitute for one of its other resources. If such recallable substitute capacity was recalled in fact, the

LSE that accepted the substitute capacity subject to recall would be responsible for any deficiency payment obligations or non-availability penalties. Because a recall would occur only if an additional RA resource unexpectedly became unavailable, it would seem reasonable to anticipate that such recall would be infrequent. Permitting LSEs to provide recallable capacity would allow them to make additional capacity available to the ISO without incurring increased risk of non-availability charges, would allow LSEs that need substitute capacity to at least reduce their exposure to non-availability charges, and would make available to the ISO capacity that otherwise would not be offered.

## 5. CPM and Backstop authority

Please provide your organization's feedback on the CPM and Backstop Authority topic. Please explain your rationale and include examples if applicable.

**Six Cities' Response:** See the comments in response to Item 3.a above.

## 6. Import RA provisions

Please provide your organization's feedback on the import RA provisions topic. Please explain your rationale and include examples if applicable.

**Six Cities' Comments:** Subject to further development of implementation details, the Six Cities preliminarily support establishing a requirement to show a firm resource commitment for imported RA resources as described at Slide 78 of the Work Group Presentation.

## 7. Maximum Import Capability and Import Capability Allocation provisions

Please provide your organization's feedback on the Maximum Import Capability and Import Capability Allocation provisions topic. Please explain your rationale and include examples if applicable.

**Six Cities' Comments:** In light of increasing challenges in procuring RA capacity, the Six Cities are extremely concerned that assigned Maximum Import Capability ("MIC") is not being used to support import RA resources and is not available to other LSEs that would like to use the MIC to access such resources. Subject to further development of implementation details, the Six Cities preliminarily support the concept of allocating a portion of MIC on an annual basis and another portion on a monthly basis.

Expanding the total amount of MIC that could be assigned would help to increase access to import RA resources. The Six Cities urge the ISO to consider alternative approaches for determining how much MIC can be allocated. Basing that determination on historical imports rather than a direct assessment of potentially deliverable imports seems circular and may unnecessarily limit RA imports that could be available to LSEs and the ISO.

The Six Cities also suggest that the ISO consider potential options for mitigating the non-use of available MIC. In light of what appears to be significant under-utilization of assigned MIC, the ISO could consider allowing import resources to provide substitute RA

capacity without requiring pre-assigned MIC. Alternatively, if LSEs are holding unused MIC assignments out of concern that the MIC may be needed to support substitute RA capacity, the ISO could consider allowing “conditional” or “recallable” re-assignments of MIC similar to the concept discussed in response to Item 4 above. The ISO also should consider establishing a cap on the percentage of assigned MIC that can be held but not used for RA imports.

In considering possible options for re-assignment or reallocation of MIC, the Six Cities support the fundamental principle described at the bottom of Slide 91 of the Work Group Presentation, *i.e.*, that entities funding the embedded costs of the interties should have first priority to use intertie capacity to import RA resources. Any method for re-assigning or reallocating MIC should recognize that priority.

## 8. Must Offer Obligations concepts

Please provide your organization’s feedback on the Must Offer Obligation concepts topic. Please explain your rationale and include examples if applicable.

**Six Cities’ Comments:** Subject to further development of implementation details, the Six Cities preliminarily support further consideration of the concept of basing Must-Offer Obligations (“MOO”) on resource operational characteristics as opposed to a one-size-fits-all MOO. Development of MOO requirements tailored to the operational characteristics of resources would be most consistent with the objective of enabling and encouraging provision of RA capacity by a wide variety of resources and optimizing the use of capacity attributes of all available resources as described in response to Item 1 above.

The Six Cities specifically do not support a 24/7 MOO requirement for all RA resources, (either internal resources or import resources) because it unnecessarily would disqualify capacity resources that are reliable and available during hours when the ISO reasonably could be expected to need them. For example, all of the Cities have entitlements to output from the Hoover Power Plant, which is a highly reliable resource but, due to operating limitations, could not comply with a 24/7 MOO. Hoover currently is eligible to provide RA capacity and is subject to a MOO generally corresponding to the evening ramp hours consistent with the concept of basing MOO on resource operational characteristics.

The Six Cities also do not agree with the bid insertion principles described at Slide 101 of the Work Group Presentation. There are types of resources for which bid insertion would not be appropriate that are not defined as Use-Limited under the new definition of that term.

## 9. Local capacity assessments with availability-limited resources

Please provide your organization’s feedback on the Local capacity assessments with availability-limited resources topic. Please explain your rationale and include examples if applicable.

**Six Cities' Comments:** As discussed in the Six Cities' February 6, 2019 Comments on the Resource Adequacy Enhancements – Straw Proposal Part 1, allowing availability-limited resources to remain eligible to meet at least some portion of Local RA requirements would be most consistent with the objectives described above for expanding, rather than contracting, the pool of resources eligible to provide RA capacity. However, it seems prudent for the ISO to study the impacts of availability limitations on the ability of resources designated for Local RA to respond to dispatch directives and to maintain output levels as needed to sustain local reliability. If such studies establish a need to do so, it may be appropriate to consider some form of limitation on the extent to which availability-limited resources may be used to satisfy Local RA requirements. The outcome of the studies should inform the nature of any such limitations that may be considered.

### **10. Slow demand response**

Please provide your organization's feedback on the slow demand response topic. Please explain your rationale and include examples if applicable.

**Six Cities' Response:** The Six Cities have no comments at this time on this topic.

### **Additional comments**

Please offer any other feedback your organization would like to provide on the April 8-9 RA Enhancements stakeholder working groups.

**Six Cities' Comments:** As discussed in the Six Cities' March 20, 2019 comments on the RA Enhancements Part Two Straw Proposal, there have been multiple revisions to RA requirements, counting rules, and performance expectations since the inception of the RA program in 2006. The lack of stability in RA requirements and other factors such as load migration have increased risks for long-term resource commitments as well as for resource development. To the maximum extent possible (*i.e.*, to the maximum extent consistent with maintaining grid reliability) the ISO should seek to preserve value of longer-term resource commitments made by LSEs, including both resource commitments made prior to initiation of the RA program and commitments made to date under the RA program. System needs are evolving, but that evolution should be able to accommodate reasonable grandfathering provisions and other transition mechanisms. Preserving the value of pre-existing resource commitments wherever possible will not only minimize the imposition of stranded costs and over-lapping capacity procurement but also will encourage LSEs to embrace forward procurement objectives, thereby enhancing resource stability and grid reliability.