

Western Power Trading Forum comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Phase Two Second Working Group

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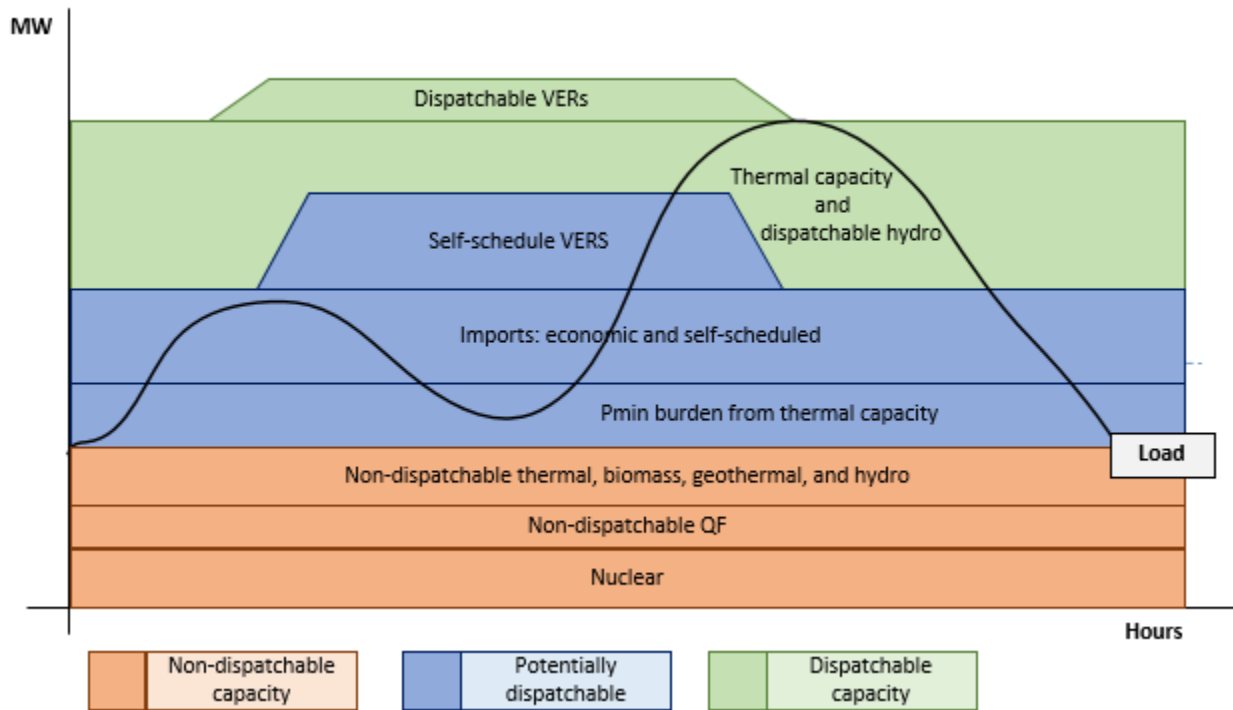
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WPTF appreciates the opportunity to provide these comments on the ISO’s FRAC MOO Phase 2 Second Working Group held on August 18, 2015 and the ISO’s supporting PowerPoint materials.

WPTF supports the ISO’s development of resource adequacy (RA) requirements that address the need for downward and reduction capacity¹. Figure 1 is a stylized example of the ISO’s anticipated over-generation problem. It illustrates all available capacity offering into the ISO energy market on a high solar output day compared to gross load.

Figure 1: Stylized example of anticipated over-generation problem



Displayed in this manner, WPTF believes it is clear the ISO has a need for downward and reduction capacity because load drops into capacity that is not always fully dispatchable. The downward and reduction capacity must come from not only from current downward dispatchable

¹ Downward capacity is capacity that can ramp downward, potentially to 0 MW output. Reduction capacity will actually increase load (e.g. storage) or move capacity off the grid (e.g. exports).

resources (green bars), but also from imports, self-scheduled VERs, and Pmin capacity (blue bars); and reduction capacity such as storage load and exports (not pictured).

WPTF supports a construct that enables reduction capacity to count toward a downward RA requirement; however, the construct should also provide incentives for thermal generators to maintain or increase their downward capacity by lowering the Pmin value. Without a binding flexible requirement that values downward capacity from thermal generation, resources will have no incentive to make investments to decrease their Pmin burden on the system.

Limiting non-RA self-schedules is discriminatory and unwarranted. WPTF strongly objects to the ISO proposal to deny RA and non-RA resources equal access to the market optimization. The ISO has not shown evidence limiting non-RA self-schedules is necessary to maintain reliability nor that the burden on over-generation should be borne by non-RA resources. If cutting self-schedules is a reliability requirement, it follows that a new RA product should be developed and compensated to provide reliability during over-generation conditions. If a non-RA resource is prohibited from self-scheduling, the resource should be given a CPM payment.

The ISO should focus this initiative on capacity needs and address energy market solutions in a separate initiative. The ISO indicated in the second working group presentation that it is considering energy market fixes (i.e., dropping the offer floor and increasing the real-time optimization outlook period) in order to address over-generation conditions. RA procurement requirements ensure the CAISO has the physical capacity and capability to operate the grid reliably. RA must-offer requirements ensure that this capacity and capability is made available to the ISO energy markets so the ISO can operate reliably using market optimization tools. Energy market rules, on the other hand, are meant to ensure economic dispatch and incent efficient bidding behavior from all participating generators. Therefore, RA rules and energy rules have separate goals and purposes. It will overly complicate this initiative if the ISO simultaneously focuses on RA and energy market optimization rule changes. That said, WPTF is supportive of the ISO opening a separate initiative to evaluate energy market changes that will improve the market optimization and address potential over-generation challenges.

As noted in previous comments, WPTF continues to support:

- Import capacity counting toward flexible requirements
- Consistent flexible RA counting and requirement methodologies across the year
- Renaming “inflexible” capacity something more neutral
- A reevaluation of the original Pmin proposal so that the rules do not exacerbate over-generation

Thank you for your consideration.