

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
<i>Carrie Bentley</i> cbentley@rezero.com 916-217-1571	<i>Resero Consulting for Western Power Trading Forum</i>	<i>1/11/17</i>

This template has been created for submission of stakeholder comments on the Draft Regional Framework Proposal for the Regional Resource Adequacy initiative that was posted on December 1, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 11, 2017**.

Please provide feedback on the Regional RA Draft Regional Framework Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.



As WPTF understands it, the Regional RA initiative is “on hold” as the CAISO and state legislature work through regional governance issues and the role of the Western States Committee in policy-making for a regional ISO is determined. Therefore, this Draft Regional Framework is not intended to represent something equivalent to a Draft Final Proposal and instead is a work-in-progress proposal that will be resumed with renewed and increased effort as regionalization begins to move forward again.

Generally, while WPTF supports many of the ideas in the proposal, there needs to be significant work done by the CAISO to explain and support much of the changes made between this draft and the Third Revised Straw Proposal.

Once the CAISO resumes this initiative, WPTF believes the following topics in particular need additional discussion and detail:

1. Short-term imports to qualify as RA and the proposal to enhance non-performance penalties
2. Forced outage rules that take into account the load-serving entities total daily RA

Short-term imports to qualify as RA and the proposal to enhance non-performance penalties.

The CAISO proposes to allow up to 10% of an LSE's portfolio to be provided by short-term capacity arrangements in order to accommodate PacifiCorp's current planning practices. WPTF does not support this proposal as it is fundamentally not compatible with a month-ahead RA process or the premise of the CAISO's RA program. In PacifiCorp's Integrated Resource Plan, short-term capacity arrangements that are not monthly arrangements are the equivalent of spot market purchases. It is WPTF's understanding that the proposal is to allow LSEs to carry an open position intra-month and use bilateral spot market purchases to fill that position in the DA or RT markets. If this understanding is correct, this is, as was pointed out during the meeting by several participants, the equivalent of lowering the Planning Reserve Margin to 105% (115% - 10%). If this the CAISO's proposal, there would need to be significant more analysis done to determine the impact on both reliability and the RA market.

Specifically because PAC would likely to be purchasing out of the bilateral spot market to fill these positions using their import capacity, at a minimum the CAISO should assess (a) the overlap with merchant generators in PAC's sub-region (b) the likelihood that there is sufficient capacity to meet all LRA's planning requirements.

Additionally, there is a concern with regard to the must-offer obligation parity between these "10%" resources and other RA resources. Many of these contracts are most likely firm deliveries that can be booked out or resold, which in addition to leading to reliability concerns, gets into questions of market access and parity.

Finally, most of these contracts likely don't have dispatchability and will come into PAC as self-schedules. The CAISO should consider whether they want to incent the continuation of inflexible interties.

An alternative that WPTF believes is worth discussing is allowing LSE's to do monthly contracting and not submit an annual plan to the CAISO. The CAISO does not subject resources on the annual plan to a must-offer obligation and has never found the need to backstop annual capacity, even when, presumably, there have been individual shortages for certain months.

WPTF supports the evaluation of non-performance penalties, but not in the context of spot-market purchases, which are WSPP Sched C "firm" contracts, so the risk of non-performance is really down to force-majeure events only. Performance penalties should be a holistic discussion across RA types as it has implications across programs and markets.

Forced outage rules that take into account the load-serving entities total daily RA.

The CAISO proposes to modify the forced outage rules so that the CAISO will only assess resources under RA availability rules if the LSE that has contracted the capacity is "short" each day. The CAISO will conduct some sort of daily assessment for the current or potentially following day. The exemption from RA availability rules would be assessed one day at a time. This rule has significant issues. First and foremost, it is discriminatory to resources not owned by or scheduled by the Load Servicing Entity (LSE) they are contracted to serve. LSEs will have prior knowledge of whether their portfolio is short or not going forward. Independent generators

will have no specific knowledge of whether the LSE that has contracted their capacity is at risk of being short or not. Therefore, if two generators have a forced outage on the same day and know they will be on outage for the next five days, the non-LSE resource will be significantly at a disadvantage because it will not have information as to whether it should purchase substitute capacity or not. The LSE owned or scheduled resource on the other hand will have a much better understanding of whether and on which day additional capacity will need to be procured in order to avoid availability penalties¹.

Another issue with this proposal is that it assumes it is possible for a scheduling coordinator to contract for day-of or next-day RA capacity. The bilateral market is not this fast and as Alan Wecker of Pacific Gas and Electric noted at the December 8 Regional RA meeting, even sophisticated entities like Pacific Gas and Electric take at least three days to sign contracts and schedule the resource. In order to begin to make a proposal like this even useful to LSEs, the CAISO would have to propose a complementary automatic daily capacity market.² There are also several other technical and timing issues that make this proposal challenging from both the CAISO perspective and market participant perspective.

Finally, the proposal does not make sense from an incentive alignment perspective. The goal of RSI 1b, which is to be implemented this fall, is to provide incentives for *resources*, whether or not they are owned or scheduled by LSEs. RSI 1b moves the obligation to replace all planned and forced outage capacity (and therefore all availability penalties and payments) to the resource, which prevents ownership-based discrimination in the market in addition to ensuring that availability incentives are all impacting the specific functional entity that can control the outages - the resource owner/operator. By putting in place a policy that moves whether a generator needs to be replaced or not back onto the LSE, the CAISO is weakening these incentives, and they are weakening them, as discussed above, for no real benefit.

WPTF also reiterates its previous comments, which can be found here:

<http://www.caiso.com/Documents/WPTFComments-RegionalResourceAdequacy-ThirdRevisedStrawProposal.pdf> Thank you for consideration of all our comments.

¹ WPTF understands that LSE's outside of California historically have a different resource ownership model than what has developed in-state and have different processes with their local regulatory authorities for determining whether future capacity purchases should be utility-owned or third-party. However, WPTF believes that in a market-based multi-state ISO the long term goal should be to promote a competitive marketplace regardless the legacy procurement practices of new of LSEs and PTOs in an expanded footprint.

² SDG&E has proposed this at multiple points in different Resource Adequacy initiatives.