

Wellhead continues to have concerns with the CAISO's proposal to proceed with a Tariff filing for implementation of the Standard Capacity product for Resource Adequacy.

First, the proposal to create a new Standard Capacity Product for Resource Adequacy (SCP) does not appropriately address critical issues it creates under existing RA contracts. The problem arises because the requirement for LSEs to procure RA capacity was to ensure that each LSE procured a portfolio of resources that could be scheduled to deliver energy to meet load requirements during each hour of the year. SCP imposes new requirements for RA contracts and will institute significant new penalties (penalties are currently managed by the CPUC against LSEs that do not comply with their RA requirements). Though the SCP has recognized that it is inappropriate to create penalties that would be applied to existing contracts, SCP does not clearly recognize other problems. Two key ones are:

1. For good reason, existing RA contracts do not necessarily provide for unlimited deliveries from the resource. LSE's assemble a portfolio of resources that can be scheduled to deliver energy to meet their load profile. Procuring capacity that exceeded the load requirements would be an unnecessary expense that they prudently choose not to incur. A resource may thus be contracted, and compensated, for only a limited number of operating hours. Section 40.6.4.1 needs to include contract limitations on operating hours as a basis for designation as a Use-Limited Resource. Not making this change will result in a resource being required to offer service/capability beyond that required in the contract without appropriate compensation and/or require the LSE's to incur the costs to procure a resource portfolio that exceeds what is otherwise required to meet prudent capacity planning requirements.
2. The SCP rules regarding the rights to substitute alternative sources of RA may conflict with the rights and obligations under RA contracts as well as eliminate flexibility that will only serve to increase the cost of RA procurement. Section 40.9.4.2.1 needs to be modified to make it clear that it is only addressing substitution within a month for which a monthly RA supply plan has been submitted. SCP must not interfere with parties rights to make substitutions in the monthly supply plan filings with resources that are in the same area. To the extent a substitution in the monthly supply plan is for a local capacity resource, the CAISO's local capacity analysis (completed before the annual supply plan filings were made) should be the basis of determining if the substitute resource is in the same local area. Any review or pre-approval of a resource for use as a substitute in a monthly supply plan filing should only be required if the resource is not included in the applicable local capacity analysis.

Second, Wellhead agrees with the Market Surveillance Committee's concern that separate standards are being applied to different resource types. This discrimination is caused by including operating reserve requirements (ancillary services) in a capacity planning product but not requiring all resources to provide the ancillary services. To address this problem, the CAISO must create the reporting mechanisms for availability to provide ancillary services to be reported separately from availability to deliver pre-scheduled energy. Without this change, compliance with the CAISO tariff will require a resource that is certified but, for some reason, is unable to provide ancillary services to make the unit unavailable to deliver energy thus triggering a penalty. Further, an RA resource should have the sole discretion to determine whether it is available in any hour to provide ancillary services (i.e. they may inform the CAISO through SLIC that the resource is unavailable to provide ancillary services for any reason without penalty) unless there is differential pricing to reflect the added value of the ancillary services being provided. These separate standards (discrimination) must not be created in SCP.

Wellhead appreciates the efforts the CAISO is putting into the development of new market based products and services but respectfully requests that it refrain from imposing new requirements that interfere with existing RA contracts and are discriminatory.