

Stakeholder Comments
Non-Resource-Specific Resource Adequacy Import Resource
Bid Insertion Tariff Clarification

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide the following comments on the CAISO Non-Resource-Specific (NRS) Resource Adequacy (RA) Import Resource Bid Insertion Tariff Clarification dated August 21, 2019¹.

The CAISO has proposed to clarify the Tariff language (Section 40.6.8) so the Tariff can be consistent with the implementation. In particular, in the event that a CAISO bid insertion for an NRS RA import resource in the Real-Time Market (RTM) is necessary, the bid insertion is, and will continue to be, a self-schedule at the amount of the Day-Ahead Market (DAM) award.

SCE agrees with the CAISO that it may be reasonable to insert a self-schedule at the DAM cleared amount, not the full RA amount, for a variety of reasons². For those same reasons, however, SCE believes potential policy implications around the RA Availability Incentive Mechanism (RAAIM) under the bid insertion should be examined and be a part of this effort. If, under the proposed change, the expectation is that an NRS RA import resource will deliver energy consistent with the CAISO-inserted self-schedule amount to fulfill its RA obligation, it's unclear what benefits it will bring when the CAISO continues to insist that the full RA amount should be available in the RTM and assesses the RAAIM based on that³. In fact, such policy could lead to incentive issues without bringing additional reliability or market benefits. For example, to avoid a potential RAAIM penalty, which can be a material financial impact⁴, an NRS RA import resource may choose to self-schedule its full RA amount in the RTM to flow the energy, even under an over-generation condition. Alternatively, the existing policy may incentivize RTM bidding at a high price (e.g. close to or at the price cap) just to avoid a potential RAAIM penalty. In either scenario, the existing policy does not seem to lead to the best outcome.

¹ The CAISO Presentation, <http://www.caiso.com/Documents/Presentation-Non-Resource-SpecificResourceAdequacyImportResourceBidInsertion-Aug212019.pdf>.

² For example, inserting bids up to the full amount of RA MWs in RTM could produce RT market awards for NRS-RAs that may not be tagged or delivered, cause the CAISO operators to intervene to find replacement power, distort market prices by clearing additional energy that may not materialize, and cause inefficient use of the transmission system. See the CAISO Presentation, at 6 -7.

³ As an example, which was discussed during the August 21, 2019 stakeholder call, for a NRS resource with 100MW RA, if it is awarded 50MW in DAM and self-scheduled by the CAISO at 50MW in RTM, the CAISO assesses, and continues to assess under the proposed Tariff language change, the corresponding RAAIM based on 50% availability in RTM for the resource.

⁴ The RAAIM price is \$3.79/kW-mo, i.e. 60% of the CPM Soft-Cap Price (Tariff Section 40.9.6.1).