



Stakeholder Comments Template

RA Enhancements

This template has been created for submission of stakeholder comments on the RA Enhancements Issue Paper that was published on October 22, 2018. The Issue Paper, 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.

Submitted by	Organization	Date Submitted
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Submissions are requested by close of business on **November 14, 2018**.

Please provide your organization's comments on the Issue Paper scope items listed below and any additional comments using this template.

Scoping Items

The ISO's has identified the following items for the initial scope of this stakeholder process. Please provide comments on each of the scoping items.

1. RA Counting and Eligibility Rules

a. System RA

The ISO proposes to review the RA counting and eligibility provisions related to RA resource NQC adjustments in this initiative, including a review of the application of Effective Forced Outage Rate (EFOR) performance criteria and accompanying NQC reductions and a review and clarification of RA counting rules for RA resources. Please provide comments on this scope.

Comments:

While it's important to review the RA counting and eligibility rules as described above by the CAISO in this initiative, the CAISO and stakeholder should thoroughly discuss one critical, related element on if, and if so, how the planning reserve margin (PRM) should be adjusted.

As raised by the stakeholders during the Oct 30 conference call, the current PRM already accounts for a resources' forced outage performance. If and when resources' outage performance is considered in adjusting the resource's NQC, there is a need to evaluate

whether and how the PRM should be adjusted so that over procurement can be avoided. This element of related PRM adjustment should be reviewed and thoroughly discussed within this initiative, including a potential coordination between the CAISO and CPUC to address the issue. Therefore, SCE requests this element be added to the scope here for completeness and for a reasonable outcome of the policy discussion.

In addition, to the extent applicable, the CAISO should provide more background information, such as reference material from other ISO/RTO markets that have this design feature (e.g. rules around the application of EFOR), which the CAISO market design can learn from.

b. Flexible RA

The ISO proposes to continue exploring enhanced flexible RA counting rules started in the FRACMOO2 stakeholder process. More specifically, the ISO will continue assessing the operational capabilities required from the fleet to align with both the Day-Ahead Market Enhancements (DAME) and the Extended Day Ahead Market (EDAM) and what flexible RA counting rule changes may be needed. Please provide comments on this scope.

Comments:

As commented by SCE and others during the FRACMOO2 stakeholder process, there is no evidence that the flexible RA product has failed to provide sufficient capacity, albeit there might be some issues in the area of resource dispatch in meeting CAISO's expectation of operational needs (including ramping needs). Likely the DAME will significantly improve resource commitment and dispatch to more closely follow actual ramp needs¹ and could further mitigate those issues related to resource dispatch.

Given the EDAM has yet to be designed, the need for flexible RA counting rule changes under the EDAM could be better assessed when more design specifics of EDAM are available. For instance, questions, such as whether the day-ahead resource sufficiency should be addressed within the integrated forward market (IFM) or within the residual unit commitment (RUC) process under the EDAM, would likely need to be addressed. It's possible that this type of questions can be better addressed within the EDAM initiative.

2. Review of Resource Adequacy Import Capability Provisions

The ISO proposes to conduct a comprehensive review of the ISO's Import Capability provisions, including; calculation methodologies, allocation process, and reassignment/trading provisions. The ISO believes that it may also be necessary to consider multi-year assessments and allocations. Please provide comments on this scope.

Comments:

As discussed on Oct 30 web conference, multi-year RA import capability provisions would be unnecessary and out of the scope should the CPUC only rule on multi-year local RA requirements. To the extent that there is a need to consider such provisions later and when

¹ CAISO Presentation, dated September 28, 2018, at 5, available at http://www.caiso.com/Documents/Presentation-Day-AheadMarketEnhancements15-MinGranularity-Sep28_2018.pdf

multi-year requirements are beyond local RA, load migration must be part of the policy discussion so cost allocation can be addressed properly.

3. Rules for RA imports

The ISO proposes to include a review of RA import rules and provisions in the scope of this initiative, including a reassessment of the requirements and rules for the sources behind RA imports. Please provide comments on this scope.

Comments:

With concerns on RA import rules and bidding, as noted by the DMM and other stakeholders, it's logical to include a reassessment of the requirements and rules for the sources behind RA imports under the scope of this initiative. SCE supports the inclusion of this discussion in the scope.

However, while the need of a review of RA import rules is driven by a concern on speculative behavior², it appears that the CAISO decides to not include a review of price caps for import RA bid submissions in the scope. The reason behind this decision is not clear. Since appropriate price caps can be a part of market mechanisms necessary to address market power and speculative behavior, a review of price caps for import RA should be included in the scope. In reviewing this element, it is important to recognize that the CAISO lacks many of the tools for import RA that they possess for RA resources internal to the CAISO. This includes bid insertion, market power mitigation with default energy bids, and the ability to RUC internal resources. While a price cap on import RA different than that of a non-RA import resource may be viewed by some as discriminatory, the policy must consider a weighting of all of the tools and processes to assess the equitable nature of such a requirement. As such, SCE strongly urges the CAISO to include a discussion of price caps on import RA resources within the scope of this initiative.

4. Must Offer Obligations, Substitution Rules, and RAAIM

The ISO proposes to include a review of the following set of issues as a part of this stakeholder initiative; need for substitution rules and RAAIM, developing an emergency or event based RAAIM trigger, and must offer obligations for RA imports. Please provide comments on this scope.

Comments:

The recognition by the CAISO and stakeholders on the need to review the issues surrounding must offer obligation (MOO), outage substitution, and RAAIM is encouraging. SCE strongly supports the inclusion of this set of issues in the scope of this initiative.

For instance, as recognized by the CAISO, although RAAIM was designed to provide an incentive to provide substitute capacity, it also provides an incentive to not show all RA capacity under contract or not offer to sell the capacity to another LSE. Further, as pointed out in the issue paper by the CAISO, even if a mechanism, similar to RAAIM, is necessary

² The RA Enhancements Issue Paper, dated Oct 22, 2018, section 3.3.

when a resources' outage performance is factored into the resource's NQC, the trigger for the RAIM should be further defined, which needs to be discussed in this initiative.

As commented above, to the extent applicable, the CAISO should provide reference material from other ISO/RTO markets on how these issues (e.g. MOO and substitution rules) are addressed, which the CAISO market design can learn from.

5. System and Flexible Capacity Assessments and Adequacy Tests

As part of this stakeholder initiative, the ISO is considering a new tool to assess the adequacy of the system and flexible RA fleet. Please provide comments on this scope.

Comments:

Clarity should be provided in terms of how this new tool interacts with the existing study methodologies and tools employed by the CAISO to perform annual (and forward looking) flexible RA capacity needs. That said, SCE has, in the past, provided its own assessment of ramping needs compared to the flexibility of even the slowest fleet of resources and noted that the slowest fleet will only get faster with the retirement of OTC resources. Based upon this assessment, SCE concluded that the current flex RA requirements are sufficient to ensure reliability. Despite this, the CAISO has continued to claim a need for additional flexible requirements. SCE has repeatedly asked for the CAISO to demonstrate any perceived flaws in the SCE analysis on this topic. SCE hopes that this new proposal to develop additional tools to assess the flexibility needs and fleet capabilities will address this concern. SCE looks forward to any new models and analysis the CAISO may offer from this initiative to evaluate their efficacy.

6. Meeting Local RA Needs

a. Local capacity assessments with availability limited resources

As part of this stakeholder initiative the ISO proposes to enhance the ISO's local capacity technical analysis to assess the impact of availability limited resources on local capacity needs. Please provide comments on this proposed scope.

Comments:

As discussed on the Oct 30 web conference, while the issue paper proposes detailed hourly load and resource planning analyses for local capacity assessment, SCE believes that this element should be in scope and should consider maximizing markets signal to address the issue, as it is generally a more efficient and transparent approach. A market approach will likely avoid overly prescriptive, costly solution in the long run. A solution that is designed to fit a specific dispatch pattern may not be most economic overall, as consumers pay for both procurement cost and energy dispatch cost of those resources.

b. Meeting local capacity needs with slow demand response

Through this initiative, the ISO proposes to explore how to best operationalize slow DR through pre-contingency dispatch so these resources can mitigate local

reliability concerns and qualify for local RA. Please provide comments on this scope.

Comments:

SCE believes that Demand Response resources (including slow Demand Response) already provide local reliability benefit, and should be recognized by CAISO as having local capacity RA value. SCE welcomes CAISO's initiative to explore market mechanisms that can alleviate CAISO's concern with relying on slow Demand Response resources for local reliability. CAISO should consider illustrating in detail the timelines and steps, from market bidding, awards, and dispatch and allow for feedback and suggestions from market participants, including IOUs, Demand Response Providers, and end customers.

In addition, this initiative should include within its scope the concept of a ramp rate for local DR resources. Much like the CAISO and CPUC now rely upon ELCC to predict the response of solar and wind resources, the amount of DR provided within 20 minutes can be demonstrated. If such a demonstration shows that the resources routinely provide such response, then the CAISO should consider allowing the portion historically shown to respond in 20 minutes to count for local RA. SCE believes that there are real an immediate DR resources that can provide such service and continuing to ignore such response is not in the best interest of local reliability.

7. CPM/RMR Review

Through this initiative, the ISO is planning to identify any needed changes to the capacity procurement mechanism (CPM) or reliability must run (RMR) mechanisms, particularly focusing on the existing cost allocation tools. Additionally, the ISO will specify the process for backstop procurement of essential reliability resources (ERRs) if they are not procured through the RA process. Please provide comments on this scope.

Comments:

During Track 1 discussions under the present CPUC RA proceeding, an issue was brought up regarding the cost allocation of annual collective deficiency CPM³. The costs of annual collective deficiency CPM are currently allocated only to those LSEs that exist when the designation is made, based on their respective forecasted annual peak load shares for the RA year, without properly accounting for intra-year load migration. While the RA participation requirements established in RA Track 1 Final Decision⁴ (i.e., requiring year-ahead RA showing for all CPUC-jurisdictional LSEs) are expected to mitigate the risk of the cost allocation not proportional to actual load, the Track 1 Final Decision leaves it open the possibility that this problem could occur in the future. In fact, in that proceeding, the Commission expressed the opinion that, the CAISO – not the Commission – should assess and allocate the CPM charges correctly if the problem occurs prior to any Commission's action. Therefore, the CAISO should fully evaluate this issue and develop a solution to address the issue as necessary. This should be included in the scope to ensure that the CPUC's year-ahead load forecasting is indeed mitigating the need to rely upon intra-year load migration.

³ E.g. Comments on RA Track 1 proposals and Feb 22-23, 2018 Workshop from PG&E, SCE, ORA and CLECA.

⁴ D. 18-06-030, June 21, 2018, at 18-20.

Scope of Policy Examination

The ISO's has identified the initial scope for this stakeholder process as the items listed above. Please provide comments on the proposed scope. If there are specific items not already identified by the ISO that you believe should be considered, please provide specific rationale for why the ISO should consider it as part of this initiative.

Comments:

SCE believes CAISO's Resource Adequacy Enhancements stakeholder initiative is an appropriate venue to resolve certain Resource Adequacy related issues concerning Demand Response resources. SCE and other stakeholders have discussed market integration issues relating to Demand Response at the CPUC Supply Side Working Group, and would like to suggest that the CAISO considers including the following Resource Adequacy related items in this stakeholder process:

- Discuss solutions for issues with bidding at NQC for weather sensitive Demand Response programs to avoid undue exposure to RAAIM cost
- Enabling a max daily run time parameter in the market model for Demand Response to reflect use limits such that the resource's MOO can be managed better according to use limits
- Discuss solutions to minimize Demand Response resources following MOO being dispatched multiple times per day in conflict with use limitations due to Pmin

Other

Please provide any comments not addressed above, including any comments on process or scope of the RA Enhancements initiative, here.

Comments:

SCE does not have any comments on this topic at this time. SCE may comment at a later time.