

Stakeholder Comments - Resource Adequacy Enhancements Workshop

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide the following comments on the CAISO Resource Adequacy (RA) Enhancements workshop held on April 8-9, 2019¹.

During the workshop, the CAISO staff has explicitly stated the importance of needed coordination between the CAISO and Local Regulatory Agencies, including the California Public Utility Commission (CPUC)² and has revised the schedule to allow this coordination³. To SCE's understanding, as communicated by the CAISO staff during the workshop, the plan is to submit this proposal in the CPUC 2021 RA proceeding for 2022 RA Year implementation. SCE supports this plan and appreciates the CAISO's recognition of the importance of the needed coordination given the holistic review and potential changes proposed under this initiative. The CAISO should incorporate this plan in its Revised Straw Proposal to be released in June 2019.

Below SCE provides comments on specific areas of the workshop discussion. SCE will provide further comments on these areas and other areas when more details of the CAISO proposal become available.

1. Import RA

A. Evaluation of existing import rules

It is SCE's understanding that the CPUC and the CAISO are looking at LSE existing practices with regard to import energy. CPUC Decision 04-10-035 requires CPUC jurisdictional LSEs to only count as RA, imports that are not curtailable for economic reasons and that carry operating reserves. Primarily this would require a firm energy import. It is difficult to imagine a firm energy import that would be utilizing the bidding strategy as described by the CAISO (i.e. bid at or near the cap in the Day Ahead Market (DAM) to avoid an offer obligation in the Real Time Markets). Before making dramatic changes to the overall import RA rules, this review should be completed to determine if current practices are following the requirements established by the CPUC. If they are then it should be determined if the bids being submitted at or near the cap are bids from resources serving CPUC jurisdictional or non-CPUC jurisdictional entities. If it is non-CPUC jurisdictional entities, then the CAISO should evaluate whether its tariff should obligate all LSEs to procure firm energy just as required of CPUC jurisdictional entities. If the bids are from resources serving CPUC jurisdictional entities, then the CPUC and the CAISO should evaluate the contractual form to determine why such a bidding practice is in place for a firm energy import.

¹ Resource Adequacy Enhancements April 8 & 9, 2019 Workshop Material, <http://www.caiso.com/Documents/Presentation-ResourceAdequacyEnhancements-Apr8and92019.pdf>

² Workshop Material, at 11, "Changes to RA provisions should be coordinated with LRA and CPUC RA program processes to the extent possible".

³ Workshop Material, at 6.

In short, the CAISO should further evaluate the current rules to determine if they are effective before proceeding to further measures.

B. The CAISO should assess whether the existing policy in committing Import RA through RUC addresses the issue of “speculative supply” not showing up in real time.

Regarding the CAISO’s concern on potential phantom Import RA (aka “speculative supply”)⁴, SCE notes that more information should be provided to demonstrate the issue based on actual data. While the CAISO presented a slide showing 20% of undelivered intertie resources being Import RA⁵, it does not provide a complete picture, e.g., the ratio of non-delivery Import RA vs. total Import RA showing. Without additional information, it is not clear whether the issue of non-delivery is an RA issue, or an issue that belongs to the energy markets and therefore should be addressed within the energy markets.

Regarding the discussion on resource-specific Import RA, monthly transmission reserve and/or 24x7 Must-Offer Obligation (MOO), SCE does not support a proposal that adds such stringent requirements on Import RA, which will in turn increase the costs of procuring Import RA yet without a guarantee that it will address the issue of bidding at or near the price cap. If an Import RA resource does not receive an energy award from the DAM but is needed for reliability, it appears the existing tariff⁶ allows the CAISO to RUC the resource so the resource can be held through the real-time markets. This essentially addresses the issue of Real-Time MOO for Import RA that does not receive an energy award from DAM. Existing rules may already address the concerns on “speculative supply” and double counting, because the RUC commitment would obligate the resource to bid and subsequently deliver in the real-time markets⁷ and the issue of intertie resource non-delivery has been addressed under the Intertie Deviation Settlements initiative⁸. SCE believes the CAISO should review the frequency and magnitude of RUC awards for import resources and provide this information within this stakeholder process. Once this information is known, stakeholders along with the CAISO can determine if the RUC rules need to be modified or if a new set of import rules are necessary.

2. UCAP vs. Local RA study

During the workshop, multiple stakeholders questioned why the Unforced Capacity (UCAP) concept can’t be applied to Local RA. Ideally, the same approach of capacity counting between System RA and

⁴ RA Enhancements Straw Proposal Part 1, at 7, available at <http://www.aiso.com/Documents/StrawProposalPart1-ResourceAdequacyEnhancements.pdf>. Workshop Material, at 73, etc.

⁵ Workshop Material, at 72.

⁶ CAISO Tariff, Section 31.5.1.1, “Capacity from resources including System Resources that has been designated as qualified Resource Adequacy Capacity must participate in RUC. RUC participation is required for Resource Adequacy Capacity to the extent that Resource Adequacy Capacity is not committed following the IFM.”

⁷ CAISO Tariff, Section 40.6.2, “Resource Adequacy Resources that have received an IFM Schedule for Energy or Ancillary Services or a RUC Schedule for all or part of their Resource Adequacy Capacity must remain available to the CAISO through Real-Time for Trading Hours for which they receive an IFM or RUC Schedule...”

⁸ Even with the Intertie Deviation Settlements initiative aside, the tariff has sections on market behavior and conducts.

Local RA would provide a better consistency within the RA program. At the same time, Local RA has different treatment on load forecast and unit outages. Given the comprehensiveness of the CAISO proposal in evaluating the existing RA program, SCE suggests that the CAISO should evaluate the possibility of extending the UCAP concept to Local RA and that if the UCAP concept were to apply to Local RA, the Local RA should be based on the same load forecast standard as System RA, i.e., the load forecast for Local RA would change from 1 in 10 to 1 in 2⁹. By aligning the assumptions on both resource outage and load forecast, there is likely to be better alignment between System RA and Local RA; while under the current proposal, one MW of Local RA (1 MW Net Qualifying Capacity (NQC)) may not be counted as one MW of System RA (i.e. 1 MW UCAP).

3. Maximum Import Capacity (MIC) allocation

On the subject of MIC allocation, SCE supports a better methodology, than the existing process, for entities to transact their excess MIC allocations. SCE supports the CAISO proposal to allocate MIC to load serving entities (LSEs) only. Because LSEs customers are funding embedded costs of the CAISO interties, the MIC allocation should be among LSEs alone. Further, SCE does not support introducing an auction or other market-based mechanism into the MIC allocation process. Instead, information posting, such as on a bulletin board with contact information, or an automated process matching the needs among LSEs, should suffice. Lastly, SCE agrees with the CAISO, that the grid operator should not take a financial position in any of those transactions.

4. RA showing and UCAP-based portfolio assessments

During the workshop, the CAISO proposed several modeling methodologies that can be used for System RA portfolio assessments under UCAP¹⁰. As SCE stated in the stakeholder meeting, SCE is supportive of ensuring that RA meets not only the peak capacity need but the energy needs of the grid as well. In the original design of RA, the Maximum Cumulative Capacity (MCC) buckets were designed to accomplish this. However, that was under a different environment of use limitations which were driven more by contracting methodologies (e.g. 6 X 16 contracts vs. peak period delivery) than based upon the current growing fleet with fuel supply or use limitations. Whether this leads to a re-evaluation of the MCC buckets or dispatches with that concept in favor of a new energy profile method is worthy of discussion. SCE encourages the CAISO to evaluate this aspect of the proposal in the context of the MCC buckets so the root cause can be addressed when necessary.

5. Flex RA

SCE believes that the need of a Fast Flex RA product (e.g. one-hour ramp)¹¹, in addition to the existing three-hour Flex RA product, has not been fully demonstrated. For instance, a combination of slower resources could collectively yield the same ramping capability that a fast ramp resource can achieve. In

⁹ In the alternative, a review of the appropriate level of load forecasting certainty (e.g. 1-in-2, 1-in-5, 1-in-10) could be evaluated consistently among the three RA requirements (system, local, and flex).

¹⁰ Workshop Material, at 49.

¹¹ Workshop Material, at 35.

fact, the CAISO markets would optimize those resources to meet those needs according to different profiles of resources. Further, there is no demonstration that a one-hour ramp product will be more cost efficient than a three-hour ramp product in meeting the needs. SCE requests the need for this new product should be fully justified before developing the specifics of this new product.