



Stakeholder Comments Template

Resource Adequacy Enhancements – Straw Proposal Part 1

This template has been created for submission of stakeholder comments on Resource Adequacy Enhancements Straw Proposal Part 1 that was published on December 20, 2018. The Straw Proposal Part 1, 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 |
|-------------------------------|---|------------------|
| Moisés Melgoza (408-615-6656) | Bay Area Municipal Transmission Group (BAMx) ¹ | February 6, 2019 |

Submissions are requested by close of business on February 6, 2019.

Please provide your organization's comments on the following issues and questions.

1. Rules for Import RA

Please provide your organization's feedback on the Rules for Import RA topic. Please explain your rationale and include examples if applicable.

BAMx generally agrees with the CAISO on the concept of specifying the source Balancing Authority from which the RA import is supplied in a RA Supply Plan. Import RA resources are playing an increasingly important role in meeting system RA requirements.² We need to ensure sure that transmission is used effectively in the sense that resources, internal or import, utilizing the transmission are available to provide required services for reliability purposes. Therefore, BAMx supports the straw proposal to require RA import resources to specify the source BAA in which they are electrically located.

2. RAIM Enhancements & Outage Rules

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power.

² Straw Proposal, p.7.

- a. Please provide your organization's feedback on the Addressing Planned and Forced Outage Issue topic. Please explain your rationale and include examples if applicable.

For Planned Outages, BAMx generally supports the outage coordination process that is in place today, but there could be better coordination between Transmission Owners, CAISO and Scheduling Coordinators. BAMx does not support prohibiting resources from taking planned outages during a month where a unit is providing RA capacity. Planned Outages in most cases will be for a very short term period ranging from a couple of hours to a couple of calendar days. Not allowing small outages under the CAISO's proposal would limit the amount of capacity available for the remainder of the month.

BAMx believes that an item worth considering further review would be the option for the CAISO to secure substitute capacity for planned outages through the CSP mechanism. A Resource would be able to use the replacement options that are available today (including providing its own substitute capacity), but could also have the new option of requesting CAISO to procure substitute capacity using any standing CSP bids. BAMx would be in support if the CAISO could offer a Daily product as it is often difficult to find counterparties willing to transact capacity on such a short term basis.

For Forced Outages, BAMx generally supports the current market structure and availability incentive mechanism that is in place today.

- b. Please provide your organization's feedback on the RAIM Enhancements topic. Please explain your rationale and include examples if applicable.

BAMx does not support adopting new market rules that would reduce the NQC rating of a resource as an alternative to RAIM. BAMx believes the current RAIM penalties provide sufficient incentive for resources to maintain their availability.

BAMx also does not support developing a new performance incentive mechanism that would enable resources that bid and or perform above their RA commitments to receive incentive payments. Resources are assessed deviation penalties for any deviation from their dispatch target today. Applying an additional penalty for failure to perform would likely result in an added barrier where the risk to participate will outweigh the incentive.

- i. Please provide your organization's feedback on the Availability & Performance Assessment Triggers options presented in the proposal.

BAMx is in support of current structure and the use of the Availability Assessment Hours (AAH). BAMx is concerned with the concept of availability & performance assessment triggers could introduce more complexity and uncertainty into the RA program.

BAMx believes that unless there are zero penalties for resources who make capacity above its RA value available to the CAISO, there would be no incentive for them to offer the capacity.

3. Local Capacity Assessments with Availability-Limited Resources

Please provide your organization's feedback on the Local Capacity Assessments with Availability-Limited Resources topic. Please explain your rationale and include examples if applicable.

BAMx supports the CAISO's proposal to include the hourly load and available resource data to provide additional information regarding availability needs in each local capacity area in its annual LCT study to determine the capacity (MW) requirements for each local capacity area and sub-area. The CAISO expects that the proposed data and analysis will enable resource procurement that is better aligned with local capacity area needs by including the duration resources must be available to ensure local capacity area reliability and that sufficient resources are procured to meet operational needs in all hours of the day.³ BAMx sees merit in the reevaluation of the local capacity requirements with greater penetration of availability-limited resources. However, the straw proposal does not explain how this process would affect allocating backstop cost associated with the essential reliability resources (ERR) procurement to LSEs, which is based on "capacity" and not energy availability. BAMx requests further clarification of the cost allocation impacts.

BAMx also urges the CAISO to explore methods for aligning backstop procurement compensation for local capacity resources (and the credit the procuring LSEs receive towards meeting their share of the local requirement) based on effectiveness factors and expected energy output at peak for a local capacity area. The current approach of treating all local resources as being equally effective does not provide the proper signal to resource owners or to LSEs to procure from the most effective local resources. The CAISO's provision of local area load curves to all LSEs by itself would not be sufficient to incentivize appropriate local capacity procurement and fairly allocate responsibility for shortfalls. Due to the asymmetry of information available on the effectiveness and the quantity of availability-limited resources procured by other LSEs, any given LSE will have very little insight into the effectiveness of its own procurement. Unless LSEs are provided adequate information, in advance of procurement, of the relative effectiveness of each local resource, and the resource is only credited for its effective local capacity, there will not be alignment of incentives to procure the most effective local resources. The CAISO needs to provide further clarifications of how the proposed process can inform LSE procurement decisions.

4. Meeting Local Capacity Needs with Slow Demand Response

Please provide your organization's feedback on the Meeting Local Capacity Needs with Slow Demand Response topic. Please explain your rationale and include examples if applicable.

³ Straw proposal, p.22.

BAMx supports the Straw proposal to facilitate the participation of slow proxy demand resources (PDRs) to more effectively meet local reliability needs and qualify for local RA. BAMx appreciates the CAISO efforts and tools to ensure that the slow DR's are comparable in providing local RA just like fast DR's.⁴

Additional comments

Please offer any other feedback your organization would like to provide on the RA Enhancements Straw Proposal Part 1.

BAMx strongly believes that the capacity exemptions from RAAIM currently stated in the CAISO Tariff Sections 40.9.2(b)(2) and 40.9.2(c)(2) should be extended/retained.

⁴ Slow Reliability Demand Response Resources (RDRR) are not able to be dispatched pre-contingency due to its unique dispatch limitations, and as such, would not be eligible to count as local RA.