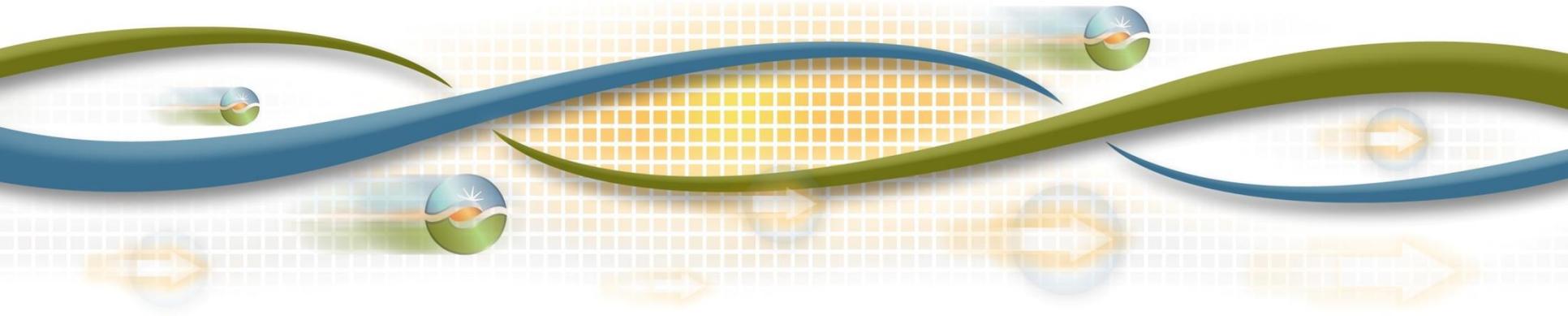




# Regional Resource Adequacy discussion

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## Key topics in scope of Regional RA initiative:

- Load Forecasting
- Reliability Assessment:
  - Planning Reserve Margin
  - Uniform Counting Rules
  - RA showings and validation process
  - Backstop procurement authority (CPM) and related cost allocation
- Maximum Import Capability
- RA Substitution Rule – Allowing external resources to substitute for internal system RA resources
- Allocation of RA requirements to LRAs/LSEs
- **Import Resources Qualifying for RA**

# Import Resources Qualifying for RA

# Discussion of import resources that qualify for RA

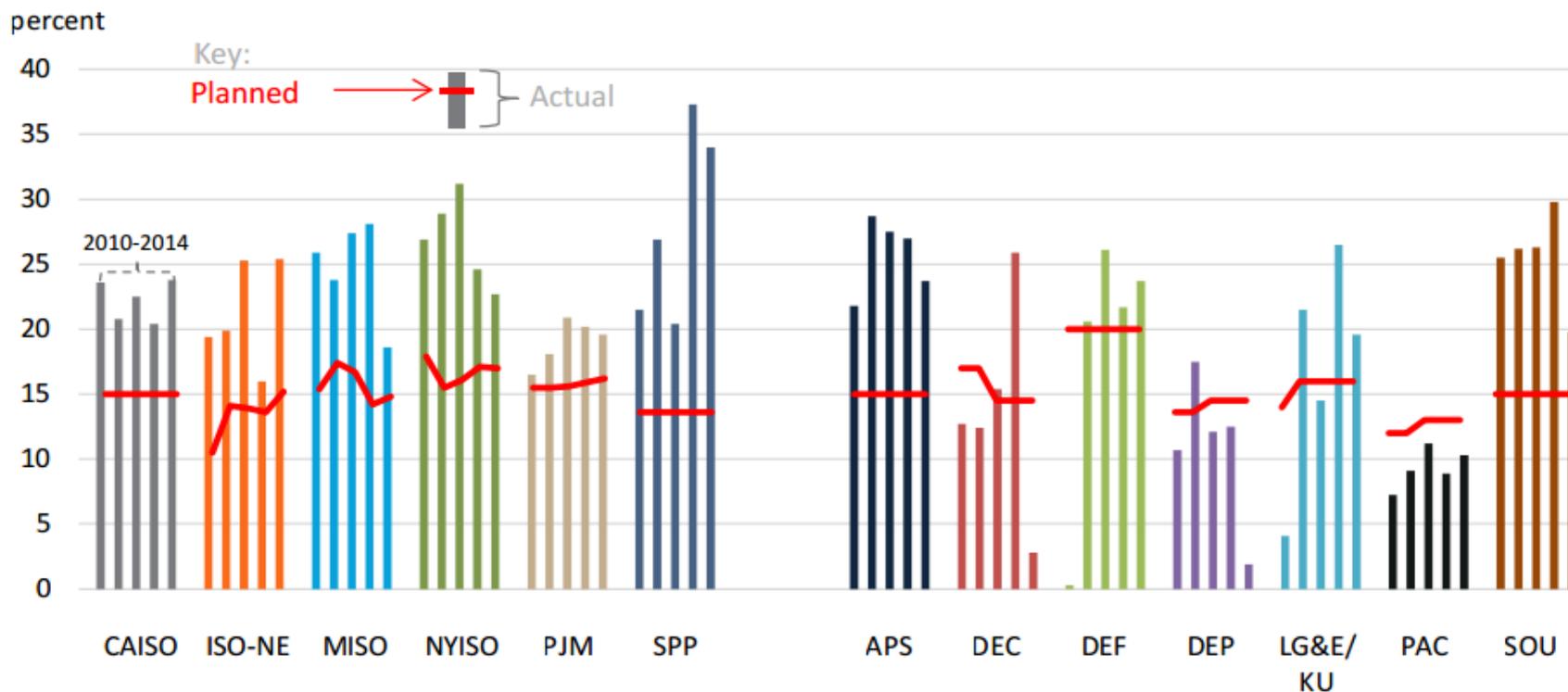
- This topic that was added to scope of RRA initiative after receiving input from stakeholders that it would be beneficial to clarify requirements for RA imports
- RA showings that use import MWs designated to meet RA obligations across interties are considered firm monthly commitments to deliver MWs to ISO at the specified interconnection point on ISO system
- ISO has given additional consideration to ensure that these requirements for RA imports are clear and established prior to expansion of the BAA

# Discussion of import resources that qualify for RA - background

- ISO tariff is not specific on types of import resources that count as RA capacity to meet system RA requirements
- Imports used to meet RA obligations are required to bid in the day-ahead market, but are not subject to any limits on bid price and do not have any must-offer obligation in real-time if not accepted in the day-ahead market
- Some entities have historically relied upon short-term arrangements including spot market purchases to meet a portion of their peak loads

# FERC Staff Report on Common Metrics for RTO/ISOs and Individual Utilities - Planned and actual reserve margins

**Figure 16: Planned and actual reserve margins, 2010-2014.**



Source: Commission staff based on information collection FERC-922.

# Short-term import arrangements for RA purposes

- ISO previously considered if bilateral spot market purchases or short-term firm market purchases procured at market hubs external to BAA should be allowed to meet a portion of an LSE's requirements or not
- In the third revised straw: ISO proposed that it would **not allow for imports of intra-month short-term spot market energy purchases or other intra-month contractual arrangements to qualify as import RA resources**
- Proposal would have allowed only arrangements for import resources secured prior to month-ahead RA showing deadlines to qualify for RA

# Short-term import arrangements for RA purposes

- Stakeholder feedback was generally split on both sides of this important issue
- Issue has been described as a key consideration for some potential entrants, state regulators and stakeholders
- ISO anticipates the following changes to the proposal in order to permit some amount of short-term arrangements:
  - Allow short-term arrangements to count towards meeting **up to a specified portion** of the total System RA requirement for an individual LSE's RA requirements, **(% of total RA req TBD)**
  - This portion of RA showings could consist of arrangements that could be **executed after** the monthly RA showings due date

# Goals and objectives for RA imports provision changes

- Give all entities, including existing participant and potential new entrants who have used short-term arrangements previously some corresponding flexibility in the future
- Create/modify tariff provisions that do not undermine intent of RA construct and reliability it provides
- Provide efficient incentives to ensure that short-term arrangements are reliable without being overly punitive
  - Ensure all entities are fairly treated, recognizing efficiency and fairness are not the same thing

# Enhanced incentives for allowing short-term import arrangements

- If LSEs want this flexibility to take risks by delaying until intra-month time-frame to secure capacity through short-term arrangements such as spot market energy purchases then the ISO will need to include some form of enhanced incentives to ensure short-term capacity arrangements (intra-month / less than 30 days) are made available to ISO markets
- Reduces potential overall exposure and reliability concerns by setting a reasonable % limit on total short term capacity purchases
- Recognizes current practices of potential entrants and should gain greater support

# Enhanced incentives for allowing short-term import arrangements

- Enhancing the incentives to deliver short arrangements is very important to ensure the ISO can have reasonable certainty that these resources will be made available
- ISO could propose to identify and allocate intra-month exceptional dispatch CPM costs in specified TAC areas first to those entities that failed to deliver short-term arrangements in reliability situations
  - After the fact review to check if cleared transactions that were shown for RA purposes were delivered or not after the fact when determining CPM cost allocation
- Additional options for incentives/protections continued on next slide

# Other potential enhanced incentives mechanism for ensuring availability of short-term imports

- Adjust the intertie schedules decline charge (currently a monthly penalty) to produce a more impactful penalty for non-performance
  - ISO could develop a similar penalty mechanism that is based on individual hourly schedule intervals (or some other shortened interval) that were used as imports for RA and not base the penalty upon a monthly average performance
- Set % limit on the amount of short-term imports allowed for monthly showings and if short-term RA imports clear but are not delivered then ISO reduces the % limit allowed for those short-term arrangements that could be shown for the remainder of RA year (or the remainder of the year and the next entire RA year)
- Adjust MOO rules so that all imports shown for RA have a real-time must offer obligation similar to internal resources