

Comments of California Department of Water resources (CDWR) on “Reliability Services Draft Final Proposal”

February 12, 2015

CDWR appreciates the opportunity to submit comments on the CAISO’s draft final proposal on Reliability Services dated January 22, 2015. CDWR respectfully submits following comments:

- 1) Exemption to a participating load (PL) for Resource Adequacy Availability Incentive Mechanism (RAAIM) (section 6.14.5): the proposal states, “The ISO has clarified participating load rules in response to CDWR comments and review of implementation impacts. Participating load that is also pumping load has unique must-offer requirements that only require an energy bid in the real-time if the resource receives an AS schedule in the day-ahead market. The standard availability incentive mechanism cannot cover these unique requirements. The ISO proposes to monitor participating load that is pumping load and consider enhancing the availability incentive mechanism to assess these unique must-offer requirements at a later date”. CDWR supports ISO effort to accommodate a PL resource into the RAAIM.
- 2) Local requirement capped at the system requirement (section 10.4.2): The proposal states, “In response to concerns from stakeholders on the potential for LSE’s with a local capacity requirement greater than a system capacity requirement to have a replacement requirement beyond what is needed for reliability purposes, the ISO proposes to cap the local RA requirement at the system requirement.”
CDWR supports ISO proposal in this regard. However, the proposal lacks detail on how an LSE’s obligation is capped at system level if it has local obligations in more than one TAC area. Is the local RA obligation in a TAC area capped at the system RA portion associated with a TAC area for that LSE? ISO should clarify the detail.
- 3) Part 3: RA process, replacement, and substitution sections: The proposal states, “The ISO proposes to exempt wind, solar, and CHP resources from the generic must-offer

obligation. SDG&E objects to these exemptions and seeks a process where each resource must request an exemption and is not automatically granted one. The ISO agrees that while ideally each resource would ask for an exemption; wind, solar, and CHP resources would require unique and costly implementation in the event even a single resource did not ask for an exemption and the wind and solar resources may game availability payments if they provide their own forecast.” It was CDWR’s understanding that these resources are not subject to RAAIM (but are still subject to must offer requirements). Is the first sentence a misstatement?

- 4) Ancillary service (A/S) must offer: The proposal indicates that calculation of availability is based on the resource’s offer into the energy market. How the ancillary service (A/S) is must offer interpreted in terms of availability assessment? As proposed, A/S availability is not measured under RAAIM. The proposal should clearly state that A/S must offer may be applicable but not measured in RAAIM and that insertion of A/S bid could take place depending on the type of resources: use limited or non-use limited. Currently, A/S must offer is not applicable to use limited resources such as hydro.
- 5) CDWR supports 2016 implementation of real-time substitution of system resources, relaxing the same bus requirement for local RA resource substitution, and releasing the substitution capacity if an approved outage is moved. Implementation of these features will help enhance reliability and optimize the resource portfolio.
- 6) Inter-tie resources for flexible capacity: The proposal states, “The ISO finds that 15-minute intertie resources could provide an extra source of flexible capacity to address longer duration flexibility needs”. CDWR believes increasing the resource pool even with import resource if that can meet certain criteria for flexibility is beneficial for reliability. Therefore, a different category (for example, 15 minute dispatch category if there is a need of 15 minute flexible capacity) of flexible capacity may be considered.
- 7) Resource Adequacy Availability Incentive Mechanism (RAAIM) payments (section 6.15): the proposal states, “The ISO will pay or penalize scheduling coordinators of RA capacity

monthly. If the pool of penalties exceeds the total pool needed for payments up to three times availability incentive price (proposed at \$3.79/kW-month), the ISO will create a roll-over account to be used in payments to high-performers for the following month. This roll-over account will continue until the end of the year, at which time any excess funds will be paid to load serving entities based on load ratio share.”

However, the load ratio share is not clearly defined; load share ratio can be volumetric or based on a coincident peak load share. The surplus amount that exists at the end of the compliance year can be a result of an accumulated surplus amount from the 1st month to the 12th month. In such instance, distribution of annual surplus fund to LSEs based on one single annual coincident peak load share may not represent the LSE’s role in shaping the ISO system-wide load profile. Moreover, surplus fund from flexible capacity is not necessarily associated with only coincident peak. So, annual volumetric load share ratio may be a good option to consider.

Contact:

Mohan Niroula

Mohan.niroula@water.ca.gov

916-574-0712