

CDWR Comments on Reliability Services Revised Straw Proposal

September 5, 2014

California Department of Water Resources State Water Project (CDWR-SWP) appreciates the opportunity to provide its comments to CAISO on its “Reliability Services Revised Straw Proposal” dated August 11, 2014. CDWR respectfully submits the following comments:

- 1) CDWR appreciates ISO’s consideration of the Participating Load (PL) calculation model proposed by CDWR in the Availability Incentive Mechanism (AIM); the revised proposal states:

“Unlike traditional capacity, pumping load must have a DA AS schedule in order to produce energy in the real-time. The ISO will only assess pumping load under the availability incentive mechanism if there is pumping load available. During the periods when there is no available load in the real-time, the ISO will exempt the capacity from the incentive mechanism in that interval”.

This will ensure a PL resource can effectively and efficiently provide resource adequacy (RA) capacity based on the existing PL functionality and Local CDWR’s Regulatory Authority (LRA) criteria.

- 2) With regard to CDWR’s previous comment on opportunity cost for use limited resources’ monthly limitations, CAISO indicates that it will address through a separate stakeholder process.
- 3) CDWR appreciates CAISO’s plan to revisit dispatchable definitions. CDWR raised this concern in previous comments and CAISO could improve clarity and eliminate inconsistency in its application and definition.
- 4) CDWR supports assessment of monthly availability in the revised version instead of hourly in the previous version.
- 5) AIM availability is based on “bid”; Bid should include both self-schedule, economic bid and ancillary service (A/S) self-provision also. For a resource that is subject to both energy bid as well as ancillary service (A/S) bid must offer, which bid will be used for AIM assessment? Both energy and A/S or higher of either one? In the case of a use limited resource (such as a hydro generator) for which A/S must offer is exempt for generic RA, will the assessment of the bid consider the higher of the energy bid or the voluntary A/S bid; or the energy bid plus the additional ancillary service bid up to the RA capacity?
- 6) As proposed, a single availability metric and price for system, local, and flexible capacity will be considered. How does this line up with the proposed Capacity Procurement Mechanism (CPM) safe harbor price? There needs to be an inter-link between the CPM process and AIM pricing.
- 7) CDWR supports monthly incentive AIM price and payment capped at two times the AIM price to prevent windfall to a few resources.
- 8) \$3.5/kw-month is the proposed AIM price. How often will it change, as it appears to be based on historical RA price? If it is too low entities may resort to this penalty rather than substituting capacity which could cost more to buy. Ultimately, driving ISO backstop events higher and increasing the backstop price and cost to market participants.

- 9) ISO seeks stakeholder suggestions on the link between CPM safe harbor price and AIM price. An analysis of whether the AIM price and the safe harbor price could be the same value may provide a direction.
- 10) Replacement and substitution should apply only to those resources that are required to report forced outages and planned outages. A participating load (PL) resource is not subject to report forced outages and planned outages in the same as way as a generator. Therefore, a PL resource should not be required to replace or substitute as there are no such outages (that are applicable to a generator) associated with a PL. The AIM calculation model for PL addresses this in availability calculation by excluding those hours when no load exists.
- 11) Similar to local RA replacement by a system RA resource in planned outages, CAISO should allow replacement of flexible RA by generic RA resources, at its discretion, based on a reliability assessment.
- 12) A tariff language correction would be needed in current tariff section: 40.6.4.3.2 to incorporate a participating load that can provide A/S non-spin in the IFM to meet its RA requirement. An excerpt from CDWR-SWP's previous comments:

"There is a third category of resource (described in section 40.6.4.3.2) that exists today which is use limited hydro non-dispatchable resource for which MOO is a bit different from slides 21-22 (shown under the tariff section below). This third category of resource includes Hydro Generating Unit and Pumping Load (Participating Load)."

As described above, CDWR believes that the MOO hours for Participating Load should be made consistent with the MOO hours for Proxy Demand Resources as described in 6 above. Moreover, the MOO for Participating Load should be clarified and made consistent with the Participating Load Agreement. Pursuant to the recent restatement of the CDWR Participating Load Agreement (PLA), Participating Load can provide only non-spin (no energy) in the IFM to satisfy resource adequacy obligation because of the model limitation and energy bid in the real time. Therefore, the MOO requirement for this resource should reflect this specific provision.

Additionally, the Participating Load (pumping load) and hydro resources MOO should reflect the fact that ULRs are not subject to ancillary services (A/S) MOO, in contrast to the non-ULRs which are subject to A/S MOO also.

Moreover, the current MOO requires Pumping Loads (participating load) to bid or self-schedule "for their expected available Energy or their expected as-available Energy." (Tariff § 40.6.4.3.2). The difference between "available Energy" and "as-available Energy" should be clarified or the terms should be defined as they relate to MOO.

Finally, CDWR's understanding is that a Pumping Load would be unable to provide supply without being a Participating Load with a Participating Load Agreement (PLA) with ISO, which implies that a Pumping Load must be a Participating Load. Pumping Load is defined as "A hydro pumping resource that is capable of responding to Dispatch Instructions by ceasing to pump". Participating Load is defined as "An entity, including an entity with Pumping Load or Aggregated Participating Load (PLA), providing Curtailable Demand, which has undertaken in writing by execution of a Participating Load Agreement to comply with all applicable provisions of the CAISO Tariff". Tariff section 30.5.2.3 indicates Participating Load includes a Pumping Load. Pumping Load representing a Participating Load in the section 40.6.4.3.2 would also require inclusion of its ability to provide only non-spin in the IFM (instead of expected available energy or expected as-available energy) as mentioned in the recently revised PLA with CDWR".

Contact:

Mohan Niroula

California Department of Water Resources

916-574-0712

Mohan.niroula@water.ca.gov