

Stakeholder Comments Template

Regional Resource Adequacy

September 29, 2016 – Third Revised Straw Proposal

Submitted by	Company	Date Submitted
Eric Little Eduardo Martinez Gigio Sakota Erica Keating Paul Nelson	Southern California Edison (SCE)	October 27, 2016

SCE appreciates the opportunity to provide comments on the CAISO Regional Resource Adequacy (RA) straw proposal¹. Developing a proposal that results in changes to the RA program for new Participating Transmission Owner (PTO) members of an expanded ISO is challenging and SCE appreciates the CAISO's efforts to develop a proposal and incorporate feedback from prior comments. The current straw proposal is well-conceived and has a good general foundation but can be improved with some modifications.

1. Load Forecasting

a. SCE Supports Load Modifiers Being under the LSE/LRA Control.

SCE agrees that the load serving entities (LSEs) and their local regulatory agency (LRAs) are best positioned to determine the ability and efficacy of Load Modifiers, such as Demand Response (DR) programs to provide for resource adequacy. There have been and will continue to be a multitude of programs and customer choices that will, with varying degrees, meet the peak load and flexibility needs of the LSEs. Pre-supposing that all such programs must be integrated into the energy market in order to provide reliability value for resource

¹ Proposal dated September 29, 2016 <http://www.aiso.com/Documents/ThirdRevisedStrawProposal-RegionalResourceAdequacy.pdf>

adequacy is not logical. Not all DR programs are well-suited for integration into the energy market and without the appropriate load modifying value there would be a loss of these resources which California state policy has deemed preferred. Provided the LSEs and LRAs have evaluated appropriately the ability of load modifying programs to address system peak issues, such programs should count toward meeting the obligation to avoid over-procurement and incremental cost to customers.

SCE also supports the ability of the LSE or LRA to update the monthly forecast due to load migration from direct access or community choice aggregation, or similar customer choice programs.

b. Load Forecasting Responsibility Should Remain with the LSE or LRA

In its proposal, the CAISO suggests that to reduce burden on small LSEs, the CAISO would accept a load forecast for such an entity coming from its Utility Distribution Company (UDC). SCE believes that the responsibility for load forecasting should remain with the LSE or their LRA. An LSE or LRA should be able to contract forecasting to a third party service provider (which could be the UDC or any other party with the necessary capability). However, the submitted load forecast would still be the responsibility of the LSE or LRA which submitted the data. While any auditing of a forecast may necessarily involve the third party vendor, it would be the responsibility of the LSE or LRA responsible for the submittal that would need to coordinate such involvement. For these reasons, SCE asks that the CAISO revise their proposal to allow entities to utilize third party service providers for forecasting services while clearly placing the responsibility for the final forecast on the LSE or LRA.

c. More Information is Needed to Determine How Discrepancies of the Individual LSE/LRA Coincident Adjusted Forecasts with the CAISO Coincident Peak Load Forecast will Be Addressed

At present, the CAISO proposes that LSEs and LRAs “can make their own determination of how to apply a coincidence factor unique to their needs to

determine their coincident peak load forecasts.”² While it is true that such a methodology leaves more flexibility to the LSEs and LRAs, it does not address what actions will be taken if the sum total of all individual LSE and LRA forecasts adjusted to the coincident peak for the month are less than the forecast of the CAISO for the coincident peak for the month. SCE believes that there is a need for significant discussion on this point that should include:

- Will the CAISO require any further procurement to meet the identified shortfall?
 - If yes, who will perform such procurement and how will the procurement obligation and cost obligation be allocated?
 - If no further procurement is required, and the CAISO forecasted load materializes, will there be a potential for Capacity Procurement Mechanism (CPM) to procure for the shortfall?
 - If there is a CPM caused by the described circumstances, how will costs for such a dispatch be allocated?

For the reasons stated above, SCE encourages the CAISO to address these issues any upcoming proposals and associated stakeholder discussion.

2. Reliability Assessment

a. System-Wide PRM

As noted in the CAISO proposal, the CAISO is currently working on a Western States Committee (WSC) structure that could potentially have a role in establishing a system-wide PRM. Given that such a process is not well defined and given that no discussion has occurred as to whether the CAISO default PRM would serve as any form of a minimum role or would be replaced if the WSC establishes a different number, there is not sufficient information at this stage to comment on the efficacy of the provided proposal. SCE recommends that the inputs supporting the PRM calculation be from information that is public or available with a non-disclosure agreement. SCE looks

² Proposal page 10

forward to reviewing any developments as the WSC methodology and its impact on PRM is developed.

b. Uniform Accounting Rules

The proposal for uniform counting rules for supply-side Demand Response (DR) starts on a reasonable premise – if the Scheduling Coordinators (SCs) have the latitude and flexibility to determine the registered capacity for their resources, then the CAISO must have the ability to verify the capacity value of these DR resources. The issue with the current proposal is that it does not recognize that there are different types of DR resources, and therefore its one-size-fits-all approach will not accurately measure their value, and may have significant negative customer impact on DR participation.

For example, reliability DR resources are designed for infrequent dispatch, under high system stress conditions. Testing these resources three times a year is unnecessary, will have significant negative customer impact, and will result in customers leaving these programs – leading to a potential loss of hundreds of MW that can be counted on in times of emergency. This is especially true for participating customers with commercial or industrial processes.

Another example are weather-sensitive DR resources, which can deliver significant MW reduction during hot summer days – often by interrupting air-conditioning loads, which are the primary drivers of high load conditions. On the other hand, during cool summer days with plenty of excess supply, these resources may deliver only limited MW – and could appear as “under-performers” even though they are fully available to mitigate high load conditions, if they were to occur.

While the current proposal may work well for economic DR resources designed for frequent dispatch, the CAISO should work with the stakeholders to develop better uniform counting rules for reliability DR resources. Such rules should combine the historical experience with the DR resources in question, with reasonable testing requirements that do not over-burden customers who are willing to help the grid in time of need, but otherwise have a business to run.

SCE recommends that the CAISO consider adopting the capacity values as determined by an independent third party. In the case of SCE, the CPUC (its LRA) has a

well-established and robust methodology for determining DR capacity through its Load Impact Protocols. Since this statistical methodology is likely to provide a more robust MW estimate, it may obviate the need for additional seasonal tests.

One final point of clarification SCE proposes is that in the event of a failed test(s), the LSE or the Scheduling Coordinator for the resource should be able to utilize the substitution rules for the MW amount that was not verifiable in any CAISO-ordered test where such failure results in Resource Adequacy Availability Incentive Mechanism (RAAIM) penalties.

- c. RA showings and validation
SCE offers no comments on this issue at this time.
 - d. Backstop procurement need determination and cost allocation modifications
SCE offers no comments on this issue at this time.
3. Maximum Import Capability
SCE offers no comments on this issue at this time.
4. Requirements for RA Imports
SCE offers no comments on this issue at this time.
5. External Resource Substation for Internal Resources
SCE offers no comments on this issue at this time.
6. Allocating RA Requirements to LRAs and LSEs
SCE offers no comments on this issue at this time.
7. Monitoring Locational RA Needs and Procurement
SCE offers no comments on this issue at this time.
8. Monitoring Locational RA Needs and Procurement
SCE offers no comments on this issue at this time.