



## Stakeholder Comments Template

### Resource Adequacy Enhancement Initiative: Second Revised Straw Proposal

This template has been created for submission of stakeholder comments on the **Resource Adequacy Enhancements Initiative, Second Revised Straw Proposal** that was held on October 9, 2019. The meeting material 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on October 24, 2019.

Submitted by	Organization	Date Submitted
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**Please provide your organization’s comments on the following topics. When applicable, please indicate your organization’s position on the topics below (Support, Support with caveats, Oppose, or Oppose with caveats). Please provide examples and support for your positions in your responses.**

### System Resource Adequacy

#### 1. Determining System RA Requirements

Please provide your organization’s feedback on the System RA Requirements proposal as described in the second revised straw proposal.

**Six Cities’ Response:** At this time, the phrase that best summarizes the Six Cities’ position with respect to the Second Revised Straw Proposal is “Oppose with caveats.” The Six Cities share the CAISO’s commitment to maintaining system reliability and support the CAISO’s objective of ensuring that Resource Adequacy capacity is sufficient in terms of both quantity and quality to assure reliability. Although the Six Cities do not necessarily object to applying a UCAP methodology for determining and measuring System RA requirements, there is at least a question whether a less complex, time consuming, and potentially disruptive approach may achieve the

objective of ensuring system reliability with less effort and cost. The Six Cities therefore recommend that the CAISO consider further the alternatives of modifying the Planning Reserve Margin or utilizing more conservative load forecasts and evaluate whether changing to the UCAP approach will provide enough incremental benefit (in terms of enhanced reliability) to justify the additional cost and disruption that approach will entail.

More fundamentally, the Six Cities believe that on an overall basis, the CAISO's proposed RA framework as set forth in the Second Revised Straw Proposal not only is likely to increase RA capacity requirements (which the Cities acknowledge may be appropriate) but also to significantly restrict the types of resources that would be eligible to provide RA capacity. In previous rounds of comments in this initiative, the Six Cities have urged the CAISO to include as a guiding principle for reformation of the RA framework an objective of enabling and encouraging provision of RA capacity by a wide variety of resources and optimizing the use of capacity attributes of all available resources. The Six Cities have experienced increasing difficulty in procuring RA capacity. Overly restrictive eligibility requirements and/or unnecessarily stringent availability standards will limit the pool of resources able and willing to provide RA capacity. In light of the apparently tightening supply conditions for RA capacity and the continuing transformation of the resource fleet, it would be counter-productive and detrimental to reliability to impose unnecessarily prescriptive or demanding eligibility or availability requirements that would have the practical effect of discouraging resources from offering RA capacity or disqualifying them altogether.

The RA framework embodied in the Second Revised Straw Proposal is inconsistent with the objective of maximizing the pool of resources eligible to provide RA capacity and optimizing the use of available capacity to support system reliability. The Six Cities support counting standards and availability requirements that recognize and reward resource attributes that are especially valuable in supporting system reliability, such as flexibility and sustained availability. But recognizing differences in value among resources and appropriately rewarding resource attributes that contribute the most to system reliability are not the same as, and do not require, excluding from eligibility to provide RA capacity or driving away capacity that does not have the most highly desired attributes but nevertheless can help to support system reliability. The overall RA framework described in the Second Revised Straw proposal is overly restrictive, may disqualify a significant number of resources currently counted for RA capacity, and is likely to impose unnecessary costs. Indeed, it seems possible that there may not be sufficient capacity resources available to the CAISO BAA to satisfy the proposed approach to RA requirements given the overly restrictive eligibility criteria and availability requirements the CAISO proposes, even if all eligible capacity resources are willing to enter into RA contracts.

## **2. Forced Outage Rates Data and RA Capacity Counting**

Please provide your organization's feedback on the Forced Outage Rates and RA Capacity Counting and Forced Outage Rate Data topics as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities oppose the CAISO's proposed definition of Forced Outage. As described at page 43 of the Second Revised Straw Proposal, the CAISO intends to continue classifying as a "Forced Outage" any outage that is requested seven or fewer days prior to the start of the Outage, regardless of the cause of the Outage, the purpose for the Outage, or the nature of any work to be performed during an Outage. At least for purposes of implementing a UCAP methodology, this definition inappropriately classifies as Forced Outages outages that are not caused by equipment failure, anticipated equipment failure, or operating emergency.

The CAISO's automatic classification of any outage requested seven or fewer days prior to the proposed start of the outage without regard to the cause of the outage is inconsistent with the definition of Forced Outage applied by NERC. NERC defines a "Forced Outage" as:

1. The removal from service availability of a generating unit, transmission line, or other facility for emergency reasons.
2. The condition in which the equipment is unavailable due to unanticipated failure.

Similarly, the PJM Tariff defines a Generator Forced Outage as:

an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, . . . .

If the CAISO decides to implement a UCAP-based approach for establishing RA requirements and counting rules, the definition of Forced Outage should be changed from the definition reflected in currently effective tariff provisions. It would not be appropriate to apply the definition of Forced Outage currently included in the CAISO Tariff and related documents to calculate UCAP values, because it would sweep in outages taken for planned maintenance and thereby potentially understate the UCAP value. If there is sufficient RA capacity available to the system to accommodate a request for an Outage to perform maintenance submitted seven or fewer days prior to the proposed date to begin the Outage, or if the resource owner offers to provide Substitute Capacity during the Outage, the CAISO should approve the request. Further, any such Outage approved by the CAISO should not be defined as a Forced Outage and should not adversely affect the UCAP for the resource. Conversely, if RA capacity expected to be available to the system at the time for which an Outage is requested is not sufficient to accommodate the Outage, then the CAISO should deny the Outage request. If the resource owner nevertheless proceeds with the Outage, then it should be classified as a Forced Outage and reflected as such in the calculation of UCAP for the resource.

### 3. Proposed Forced Outage Rate Assessment Interval

Please provide your organization's feedback on the Proposed Forced Outage Rate Assessment Interval topic as described in the second revised straw proposal.

**Six Cities' Response:** At this time the Six Cities take no position with respect to the proposed Forced Outage Rate Assessment Interval.

### 4. System RA Showings and Sufficiency Testing

Please provide your organization's feedback on the System RA Showings and Sufficiency Testing proposal as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities take no position on this topic at this time.

### 5. Must Offer Obligation and Bid Insertion Modifications

Please provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications proposal as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities oppose the Must Offer Obligation and Bid Insertion proposals included in the Second Revised Straw Proposal as unduly restrictive and likely to substantially limit the pool of resources eligible and willing to provide RA capacity. Specifically, the Six Cities oppose (i) application of a 24/7 MOO subject only to the limited exemptions identified in Table 5 of the Revised Straw Proposal, (ii) prohibiting self-schedules that exceed one hour, and (iii) the CAISO's proposed bid insertion principles.

The proposed standard 24/7 MOO (even with the exemptions in Table 5 of the Revised Straw Proposal) would unnecessarily and unreasonably disqualify capacity resources that are reliable and available during hours when the CAISO reasonably could be expected to need them. For example, all of the Cities have entitlements to output from the Hoover Power Plant, which is a highly reliable resource but, due to operating limitations, could not comply with a 24/7 MOO. Hoover currently is eligible to provide RA capacity and is subject to a MOO generally corresponding to the evening ramp hours consistent with the concept of basing MOO on resource operational characteristics.

The Six Cities likewise oppose the CAISO's proposal at page 38 of the Second Revised Straw Proposal to prohibit submission of self-schedules or block bids for more than one hour. Several of the Cities have long-term commitments for substantial amounts of capacity from resources (such as the Intermountain Power Project and the Magnolia Power Plant) that are subject to minimum operating restrictions (pmin and minimum run times) or must-take requirements. Limiting the ability to self-schedule such resources effectively would disqualify them from providing System RA capacity, even though they are capable of and have been providing significant contributions to system reliability.

The Six Cities also do not agree with the bid insertion principles described at pages 35-37 of the Second Revised Straw Proposal. There are types of resources for which bid insertion would not be appropriate that are not defined as Use-Limited under the new definition of that term or otherwise covered by the exemptions described at pages 36-37. In addition, the CAISO does not explain how it will determine inserted bids for Non-Dynamic, Non-Resource Specific Imports as proposed at page 36.

## **6. Planned Outage Process Enhancements**

Please provide your organization's feedback on the Planned Outage Process Enhancements proposal as described in the second revised straw proposal.

**Six Cities' Response:** As discussed in response to Item 2 above, the Six Cities oppose the CAISO's proposal to classify as a Forced Outage any Outage requested seven or fewer days prior to the date proposed for the start of the Outage.

In previous comments in this initiative, the Six Cities have emphasized the need for comprehensive review, revision, and reorganization of the CAISO's outage management rules, availability requirements, substitution rules, and availability incentives. As presently applied, the outage management process and substitution requirements are non-transparent and erratic. The outage management rules and availability expectations, which clearly are interrelated, are scattered across multiple tariff sections, different Business Practice Manuals, and different Operating Procedures. Many provisions relating to these topics are ambiguous or inconsistent with other provisions or both.

The "Planned Outage Process Enhancements" described at pages 39-44 of the Second Revised Straw Proposal do not satisfy the need for a comprehensive rationalization of the outage management provisions as applied to RA capacity. For example, the discussion continues to refer to both substitute capacity and replacement capacity without a clear delineation of the differences, if any, between the two terms. There are references to CAISO "reliability checks" that appear to be different from a review of RA sufficiency but are not clearly defined. As the Six Cities previously have urged, the CAISO as part of this initiative should gather all of the provisions relating to outage management and availability requirements from across the many tariff sections, BPMs, and Operating Procedures where they currently reside, develop a coherent set of objectives for outage management and availability, and use those objectives as the basis for revising the rules relating to outage management and availability requirements to be expressed clearly, to be consistent with the framework of objectives, and to be consistent with each other.

The Six Cities support the concepts of establishing both an RA headroom calendar and a bulletin board identifying capacity available to provide substitute RA capacity.

## **7. RA Imports Provisions**

Please provide your organization's feedback on the RA Imports Provisions proposal as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities support in concept the CAISO's proposals to require NRS-RA resources to specify the source Balancing Authority Area for the capacity and to certify that firm transmission service has been arranged to deliver the capacity. However, the Six Cities request that the CAISO provide further explanation and detail with respect to the specific nature of the attestations the CAISO proposes to require for RA Import resources.

The Six Cities also support the CAISO's recommendation to continue limiting the MOO for RA from import resources to the Day-Ahead Market and resources that receive an award in the Day-Ahead Market. However, the Cities are concerned with the potential that import resources may sell RA capacity and avoid any obligation to actually provide capacity by routinely offering the resource at the bid cap for energy. The Six Cities recommend that the CAISO monitor bids by external RA resources and consider measures to address persistent patterns of submitting bids that appear to be in excess of estimated marginal costs.

## **Flexible Resource Adequacy**

### **8. Identifying Flexible Capacity Needs and Requirements**

Please provide your organization's feedback on the Identifying Flexible Capacity Needs and Requirements topic as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities take no position on this topic at this time.

### **9. Setting Flexible RA Requirements**

Please provide your organization's feedback on the Setting Flexible RA Requirements topic as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities take no position on this topic at this time.

### **10. Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility**

Please provide your organization's feedback on the Establishing Flexible RA Counting Rules: Effective Flexible Capacity Values and Eligibility topic as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities take no position on this topic at this time.

### **11. Flexible RA Allocations, Showings, and Sufficiency Tests**

Please provide your organization's feedback on the Flexible RA Allocations, Showings, and Sufficiency Tests topic as described in the second revised straw proposal.

**Six Cities' Resonse:** The Six Cities take no position on this topic at this time.

## **12. Flexible RA Must Offer Obligation Modifications**

Please provide your organization's feedback on the Flexible RA Must Offer Obligation Modifications topic as described in the second revised straw proposal.

**Six Cities' Response:** The Six Cities take no position on this topic at this time.

## **Local Resource Adequacy**

### **13. UCAP for Local RA**

Please provide your organization's feedback on the UCAP for Local RA topic as described in the second revised straw proposal.

**Six Cities' Response:** At this time, the Six Cities take no position with respect to this topic.

## **Additional comments**

Please offer any other feedback your organization would like to provide on the RA Enhancements Initiative.

### **Six Cities' Response:**

As expressed in previous comments in this initiative, the Six Cities are extremely concerned that assigned Maximum Import Capability ("MIC") is not being used to support import RA resources and is not available to other LSEs that would like to use the MIC to access such resources. Especially in light of increasing challenges in procuring RA capacity, the Cities urge the CAISO to address under-utilization of MIC as promptly as possible. The Six Cities support consideration of MIC issues in a separate initiative, provided that the MIC initiative receives high priority and moves forward promptly. The MIC initiative should include consideration of: (i) alternative approaches for determining how much MIC can be allocated, (ii) allowing short-term reassignment of MIC, perhaps on a conditional or recallable basis, and (iii) establishing a cap on the percentage of assigned MIC that can be held but not used for RA imports.

The Six Cities also emphasize that counting rules and eligibility standards for RA resources must be clearly defined well in advance of annual procurement cycles in order to minimize risk of ineffective procurement by LSEs.