

# Stakeholder Comments Template

## Subject: Standard Capacity Product

### Comments due COB Thursday 9/11/08

Submitted by	Company	Date Submitted
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The CAISO is requesting written comments on the *Standard Capacity Product Issue Paper* that was discussed at the September 3<sup>rd</sup> Conference Call. This template is offered as a guide for entities to submit comments; however participants are welcome to submit comments in any format. There is a section at the end of the document to comment on topics that may not be covered in this questionnaire.

All documents related to the Standard Capacity Product Initiative are posted on the CAISO Website at the following link:

<http://caiso.com/2030/2030a6e025550.html>

Upon completion of this template please submit (in MS Word) to [scpm@caiso.com](mailto:scpm@caiso.com). Submissions are requested by close of business on Thursday, September 11, 2008.

Please submit your comments to the following questions in the spaces indicated. If you are offering proposals or recommendations, please provide the business justification or other rationale for your proposals, including illustrative examples wherever possible.

#### **SCP Overview**

- Slide 8 of the “Review of the Standard Resource Adequacy Capacity Product Issue Paper” presentation (<http://caiso.com/2030/2030a6e025550.html>) provides an overview of the SCP in the RA Process. Do you agree with this characterization? If not, how would you modify it?

**TURN generally agrees with the characterizations in Slide 8, and urges the CAISO to maintain a narrow focus on the necessary tariff changes for the first phase of this process.**

### Roles and Responsibilities

2. What is the dividing line between the obligations of suppliers of RA capacity and those of the LSEs? Does the LSE's responsibility end with its submission of SCP tags to meet its RA requirements, or would there be circumstances where a supplier's failure to deliver required some action on the part of the LSE whose submitted RA capacity is affected?

**Generally speaking, the LSE's responsibility should end when the tags that it has acquired are submitted for RA compliance purposes. However, some discussion is needed with respect to the issue of *scheduled* maintenance outages, which under CPUC rules may result in a unit not being fully countable for RA purposes in a given month. These outage schedules often will not be known when the "tags" for a particular year are issued, yet the tag of a unit that is scheduled out for maintenance in a particular month may not count for RA compliance. This issue merits further discussion in order to ensure that RA tags are truly fungible and fully tradable.**

### Obligations of RA Capacity

3. What is required of the RA capacity or supplier within the delivery period? In particular, what modifications to the existing RA-MOO are needed? Do parties agree that RA capacity must be available to provide Ancillary Services to the extent they are certified? What other obligations need to be specified in the RA-MOO?

**The RA capacity supplier must comply with the RA-MOO and the related CAISO tariff provisions adopted as a result of this process. TURN supports in principle the CAISO proposal that RA capacity should be available to provide AS to the extent certified to do so, but does not believe that issue needs to be resolved in this particular process. It is TURN's general understanding that a resource subject to the MOO will have a Default Energy Bid (DEB) inserted on its behalf if the resource fails to submit a bid as required in the CAISO markets and is not on a forced or scheduled outage, but we would appreciate clarification on this point.**

4. How standard is standard? How does a "standard" product deal with details like Local Capacity Requirements (LCR)? Use limitations? Non-standard generation, such as demand response or pumped storage hydro? Are there other flavors of the SCP that need to be defined?

**Pursuant to CPUC rules, LSEs' RA showings distinguish among RA resources according to (1) whether they are system or local resources, and (2) whether they are subject to use restrictions (known in the RA showings as Categories 1, 2, 3 or 4). The SCP should recognize and incorporate these locational and category distinctions. It is not necessary to define other "flavors" of the SCP in the definition, but unique features associated with certain forms of use limited resources, such as intermittents or demand response, should be addressed in determining the Net Qualifying Capacity (NQC) of such resources by month.**

**Facilitating Procurement, Registration & Compliance Showings**

5. Stakeholders have suggested that the scope should include a bulletin board to facilitate transactions.
  - a. What do parties envision as the scope and functionality of such a bulletin board?

**TURN supports the concept of the bulletin board to facilitate trades of RA capacity, but does not believe that it should be a “Track 1” issue in this process. Once the February FERC filing has been tendered, parties can then turn their attention to this issue.**

- b. Is this element essential to getting the SCP up and running? Could the SCP function without it? Can this element be deferred until a later time? Could it be developed by a third party?

**It is not essential but potentially useful. Consideration should be deferred.**

6. What is the preferred vehicle for transferring capacity tags between parties?
  - a. Should a confirmation letter be used to procure RA capacity? If so, what should be the form and standard content of such confirmation letter?
  - b. If not, what is the preferred vehicle for transferring SCP tags between parties?
  - c. Is this element crucial for the initial filing

**The CAISO does not need to decide this issue. Once the product is defined and incorporated into the Tariff, commercial parties will develop suitable means for transacting, including potentially a standard confirmation letter. This is NOT a crucial element for the initial filing.**

7. Is an electronic RA Registry essential to the SCP effort, particularly if it may impact the ability to make a FERC filing in early 2009? Could the RA Registry be developed in a later phase?

**An electronic RA registry would be very useful, but it is NOT an essential feature for an early 2009 FERC filing. Such a registry could be used to simplify a number of reporting and compliance functions that are now performed manually, but it is not a critical path item.**

- a. What systems or infrastructure are needed or desirable to (1) facilitate trading (2) track ownership (3) enable registration of SCP tags? How can we meet such needs by a relatively simple interim approach for the near term, to be developed later into an end-state approach?

**Existing processes can be continued in the near term.**

- b. Is there a reason why an RA Registry is essential to prevent double-counting of RA capacity? The CAISO and CPUC have been validating RA capacity for several years now to ensure that no double counting occurs. Is the current system sufficient?

**See prior answers on this subject.**

8. What is required of the RA capacity or supplier prior to the delivery period? For example, should the CAISO assume continued use of current procedures such as submission of supply plans, or should alternatives or enhancements be considered within the scope of the SCP? If an RA Registry is created, does it need to include a level of sophistication that would allow the elimination of year-ahead and month-ahead showings and supply plans? Is this aspect of the RA Registry essential? There also is the reality that the CAISO requires supply plans from its SCs because it is the SCs with whom it has a contractual relationship; not the LSEs. RA resource data is currently validated through the supply plans and it is the supply plan information on RA capacity that is entered into and used in the CAISO operating systems. Also, will the CPUC be interested in departing from the current RA convention of year-ahead and month-ahead showings submitted directly to it by its jurisdictional entities? In essence, is it realistic to expect that an electronic mechanism can replace the current system of showings (both RA showings and supply plans)?

**As noted above, the current LSE RA compliance mechanisms and generator supply plans are sufficient for the time being. An electronic system to replace the current practices should be considered soon after the February 2009 FERC filing.**

#### **Performance Standards for RA Capacity**

9. Do all stakeholders agree that all obligations for performance should be on the supplier? Are there certain circumstances where the LSE should be required to take some action, particularly if there is a long lead time in which to act?

**TURN generally agrees with this principle, but is open to further discussion if appropriate.**

10. What challenges are posed by use-limited resources and demand response resources? What metrics will allow fair and reasonable treatment of these and all other types of resources?

**Current CPUC rules already place limitations on LSEs' reliance on use-limited resources through the Category 1, 2, 3 and 4 designations. For performance assessment purposes, it may be appropriate to treat certain types of resources differently (e.g., demand response and intermittents) and consider their unique attributes in setting their monthly NQC values rather than through availability metrics. This topic merits further discussion.**

11. How shall an outage be defined for purposes of calculating availability metrics? What is an acceptable forced outage rate? Should it vary by technology type?

**TURN supports continuation of the CPUC's "forced is forced" policy, at least for purposes of this process. Chronic under-performance over an extended period of time (years not months) might appropriately trigger a review of a unit's NQC at some point, but that issue should be addressed separately from this process.**

12. Should availability factors be broken out and standards developed for specific classes of resources to reflect their unique operating characteristics, i.e., combustion turbine, hydroelectric, demand response, wind, solar?

**There may need to be a distinction between those classes of resources which are subject to *current period* availability metrics (e.g., conventional thermal) versus others whose unique characteristics are taken into account in establishing their monthly NQCs (intermittents, demand response, etc.). This should be a topic for further discussion. There needs to be close coordination between the CPUC's counting rules and the CAISO's availability standards.**

13. What are the criteria which would trigger procurement of replacement capacity to replace RA capacity that does not or cannot perform sufficiently, as opposed to relying on the margin built into Planning Reserve Margin-based (PRM) RA requirements?

**The CAISO should only procure replacement capacity when such action is consistent with the rules governing RUC procurement, the ICPM or exceptional dispatch. The supplier should also have the opportunity to replace such capacity when time permits.**

- a. Should the "forced is forced" principle be continued as is, or is some modification needed in conjunction with the SCP proposal?

**TURN supports continuation of this principle unless and until it is altered by the CPUC through its counting rules. This issue is closely linked to the method for determining the appropriate Planning Reserve Margin (PRM).**

- b. How should costs of replacement capacity be allocated?

**Any costs incurred by the CAISO to obtain replacement capacity (through RUC, ICPM or exceptional dispatch) for RA resources that fail to perform should be allocated to the resources that caused the costs to be incurred. Such costs should be part of the "penalty" for failure to perform.**

14. When, if ever, should insufficient performance by RA capacity have an impact on the LSE that submitted the capacity to meet its RA requirements? For example, in the context of the current monthly RA model, suppose an RA resource is suddenly forced out and will be out for three months of its contracted delivery period. Should the LSE that submitted that resource be required to obtain replacement capacity by the next monthly showing?

**The responsibility for insufficient performance should be assigned to the supplier. In the event of an extended failure, the supplier should be allowed to obtain replacement capacity.**

### **Penalties & Other Corrective Actions**

15. What are the different functions and incentive effects of financial penalties vs. adjustments to NQC?

**TURN believes that NQC adjustments should only be imposed for chronic, extended failures to perform that call into question the actual capability of the unit. Financial penalties and/or assessment of replacement costs should be primary mechanism to incent better performance.**

16. To what degree and under what circumstances should the adjustment of NQC of a resource occur?

**Except for those resources whose NQC is directly tied to performance (e.g. demand response), such adjustments should be rare and applied only in extreme cases.**

17. How might seasonal penalty rates be applied to ensure a very high incentive for resources to perform in high demand periods?

**Performance incentives and penalties should be more heavily weighted toward peak periods.**

### **Credit Requirements**

18. What credit requirements should apply to RA suppliers vs. Scheduling Coordinators for RA capacity?

**No comment.**

19. What is correct method for calculating the optimal credit requirement?

**No comment.**

20. Should the credit requirement required for the SCP stand alone or should the liability associated with this product be netted against the overall Accounts Receivable/Accounts Payable (AR/AP) of the SC associated with the RA supplier?

**TURN would support netting of any such requirements.**

### **Implementation Details**

21. Given that an early 2009 tariff filing with FERC is the working target to enable parties to begin RA capacity negotiations based on the SCP as early as possible, what elements of the SCP must be in place to meet both the commercial and the reliability objectives of the SCP by the desired target?
- Which elements are crucial for the initial filing?
  - What additional elements can be resolved in time for an early 2009 FERC filing?
  - Which elements can wait for a subsequent FERC filing?
  - Should this be a staged or phased implementation with planned enhancements in future filings?

**TURN believes that the critical path items for the early 2009 FERC filing are limited to defining the obligations of the standard RA capacity product, including performance criteria and possible penalties. Other items such as a registry or bulletin board can wait for a subsequent filing. Counting rules and the PRM should be addressed through existing CPUC processes.**

22. Assuming the SCP proposal is filed and approved by FERC in spring 2009, should the SCP take effect immediately for use in the monthly RA showings for the remainder of 2009, or only come into play for RA capacity procured for delivery in 2010?

**TURN believes that the tariff provisions themselves should take effect immediately upon FERC approval, although full implementation of the use of the standard capacity product may require a transition period.**

23. The CAISO understands that the end-state vision for the SCP is that it will apply to 100% of the capacity procured to meet RA requirements. Can the SCP definition be applied to 100% of RA Capacity from the start? Is there a need for a transition period to a full implementation of SCP (i.e., short-term “grandfathering” of some existing RA capacity)?
- a. If a transition period is needed what is the rationale for it and how should it be defined?

**A transition will probably be necessary for grandfathered resources, such as the DWR contracts. This topic would probably benefit from further discussion of other possible exceptions, e.g., existing contracts that contain availability provisions that differ from the adopted standard. If the RA-MOO is modified to include an obligation to offer AS, such a requirement should be phased in to allow existing contracts that lack such a provision to run their course.**

- b. What criteria should be used to define categories of RA resources eligible for grandfathering during the transition period? What shares of RA capacity do these categories represent, and what are the practical implications – e.g., any relaxation of performance obligations, reduction in tradability, impacts on existing supply contracts – of allowing them to be grandfathered?

**See prior answer.**

24. What change management provisions need to be incorporated into the SCP proposal? Besides specifying the provisions for a transition period, if one is determined to be needed, what other change management scenarios must be considered?

**No comment at this time.**

25. Assignment of SCP tags to eligible RA Capacity
- a. Should the SCP simply take the existing counting rules and NQC determination process as given, or are there issues with these existing features of the RA process that need to be addressed in conjunction with the SCP? For example, if different flavors of the SCP have different performance requirements, how can we ensure that simply adding up the pre-determined quantity of SCP tags will result in achieving the desired level of overall system reliability?

**The SCP should, at least initially, take the existing counting rules as given. The CPUC’s existing restrictions on LSEs’ relying on use-limited resources should be sufficient to prevent over-reliance on such resources.**

- b. Are there other factors besides the counting rules, testing of maximum operating capacity, deliverability assessment, and performance criteria that should figure in the calculation of a resource’s MW tag quantity? If so please describe.

**No comment at this time.**

- c. Can we equate the quantity of tags for a resource to its NQC, or is there a need to maintain a distinction between these two terms?

**TURN submits that the two should be one and the same.**

- d. What is the duration of a tag? Are tags issued anew each year with a one-year term? Or are tags permanent once they are acquired by a resource? If the latter, must a resource that retires or has its NQC reduced in a subsequent year buy back all or some of its outstanding tags? Can NQC be reduced within a given delivery year based on supplier performance?

**Tags should be issued anew each year with a one-year term, but should be divisible by months for transactional purposes. NQC should not be reduced within a given delivery year.**

- e. How are tags assigned to new capacity investment prior to construction or commercial operation?

**New capacity should be assigned tags consistent with the CPUC counting rules for such resources. The responsibility for delayed commercial operation should be a matter of contract between the developer and the LSE that seeks to count the capacity for RA purposes.**

**Other Comments:**

**TURN applauds the CAISO for initiating this process and recommends that the scope of the first phase be kept as narrow as possible to facilitate timely resolution.**