

Western Power Trading Forum comments on Flexible Resource Adequacy Criteria and Must-Offer Obligation Phase Two

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WPTF appreciates the opportunity to provide these comments on the CAISO's FRAC MOO Phase 2 Working Group held on July 22, 2015.

WPTF supports the CAISO's assertion that changes to the Resource Adequacy (RA) framework may be needed to address over-generation concerns. WPTF supports the CAISO addressing over-generation concerns and flexible ramping needs through both enhancing the energy market and making changes to the RA rules. We also encourage the CAISO to continually consider the extent to which their proposed RA framework provides incentives for resources to increase their downward and upward flexible capability.

The CAISO should address over-generation in part by requiring downward flexibility in RA plans. WPTF supports the CAISO proposal to establish new RA requirements in order to ensure sufficient downward capacity is available to the grid. This downward flexibility could take the form of an allowance¹ or separate downward flexible product. If the CAISO continues with the allowance proposal, WPTF supports rules that ensure allowance capacity is of comparable quality as RA capacity. Therefore similar to RA, allowances would have to have equivalent qualifying and counting rules, must-offer obligations, and even potentially outage rules. If the CAISO develops a downward flexible RA product or downward category for flexible RA capacity, WPTF encourages the CAISO to provide more information regarding qualification rules that take in account whether the resource could be shut down or ramped down to a low Pmin during the mid-day net load valley. These qualification rules, we presume, would allow the CAISO to count some subset of resources currently qualified to provide upward flexibility as able to additionally provide downward flexible capacity.

The CAISO should ensure that flexible Pmin qualification rules do not exacerbate over-generation issues and take into account realistic market dispatch conditions. WPTF supports the CAISO considering whether additional criteria is needed to determine whether capacity, in particular Pmin capacity, is flexible. However, we are concerned that there are unintended consequences of removing a resource's Pmin capacity from the flexible RA stack. If Pmin capacity counts toward the flexible requirement, then the scheduling coordinator is obligated to offer that amount of capacity into the energy market. If the CAISO prevents the Pmin energy from counting toward the flexible requirement, then the scheduling coordinator may be incented

¹ Based on the characterization of the CAISO in the working group meeting, this construct seems better labelled as an "offset" rather than an "allowance", at least in relations to the California carbon program use of the terms.

to self-schedule the Pmin capacity – in a sense forcing the unit on at Pmin, and potentially making the over-generation issue worse.²

Additionally, WPTF asks the CAISO to reconsider whether it may be more appropriate to use a resource's warm or hot start time to determine whether Pmin energy counts as flexible RA rather than using the a cold start time of less than 90 minutes as proposed by the CAISO.

WPTF supports a consistent flexible RA counting and requirement methodologies across the year. As commented on by WPTF during the working group, there are benefits to having a single set of RA rules across the year. WPTF agrees that the flexible requirements may change in value across each month, and that such monthly limits could avoid over procurement. We recommend however maintaining the *underlying methodology* across the months to simplify the overall policy.

CAISO should consider renaming “inflexible” capacity. WPTF suggests calling RA capacity that is not flexible “generic RA capacity” or something else equally neutral rather than “inflexible” capacity. Resources providing RA capacity to meet the peak load requirement, but not the flexible requirement may do so by self-scheduling or economically bidding into the energy market. It is therefore confusing to automatically call all that capacity designated to fulfill peak load requirements but not necessarily flexible RA as “inflexible.”

Resolving over-generation conditions by limiting self-schedules should only occur after energy solutions have been explored. Over-generation conditions are not expected to occur in every hour. There are options to address over-generation that do not include a blanket prohibition on self-scheduling by non-RA resources or having different bidding and energy optimization rules for RA and non-RA resources. WPTF would like to see additional analysis on this issue before going down such a severely restrictive path.

Import capacity should be able to count toward the flexible capacity requirement. As previously commented on, WPTF strongly supports consideration of intertie resources in meeting the ISO's flexibility needs. WPTF also seeks to balance the provision of flexible RA over the ties with comparability between intertie and internal resource provision, potentially as the CAISO seemed to indicate in its working group by defining limitations to the quantities of 15-minute deployable energy that can be used for flexible RA. Lastly, given standard ramps across scheduling intervals, as well as backing for firm energy, intertie energy should be able to count 100% of their energy offers as flexible capacity rather than being discounted through some lesser counting rule regime.

² NCPA raised this issue at the July 22 FRAC MOO Working Group meeting.