



Stakeholder Comments Template

Resource Adequacy Enhancements

This template has been created for submission of stakeholder comments on the Resource Adequacy Enhancements fifth revised straw proposal that was published on July 7, 2020. The proposal, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/StakeholderProcesses/Resource-Adequacy-Enhancements>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **August 7, 2020**.

Submitted by	Organization	Date Submitted
<i>Luke Tougas 510.326.1931</i>	<i>California Efficiency + Demand Management Council</i>	<i>August 7, 2020</i>

Please provide your organization's overall position on the RA Enhancements fifth revised straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

Please provide your organization's comments on the following issues and questions.

1. System Resource Adequacy

Please provide your organization's feedback on the System Resource Adequacy topic as described in section 4.1. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the Determining System RA Requirements topic as described in section 4.1.1. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- b. Please provide your organization's feedback on the Unforced Capacity Evaluations topic as described in section 4.1.2. Please explain your rationale and include examples if applicable.
 - i. Please provide your organization's feedback on whether the ISO should establish a dead band around a resource's UCAP value given the associated benefits and burdens, as described in section 4.1.2. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- ii. Please provide your organization's feedback on Option 1 and Option 2 for calculating UCAP for new resources without three full years of operating history, as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Please see below the Council's response to Question 2.iv regarding the UCAP value of new DR resources.

- iii. Please provide your organization's feedback on the ISO's approach to use the historical availability during the RAIM hours for years prior to 2019 and the historical availability during the 20% tightest supply cushion hours in years 2019 and beyond for hydro resources, as described in section 4.1.2. Please explain whether this approach is necessary or preferred to the standard UCAP calculation to reflect hydro availability.

The CAISO should only begin using historical availability beginning in the year following the approval of this component of the RA Enhancements proposal. This will allow time for DR Providers (DRPs) to react to the new UCAP paradigm in its final form and make any necessary adjustments to their operations and customer contracts. Implementing a new policy and set of rules and then retroactively applying to market participants, who were operating under a different set of market rules, potentially prejudices against DRPs who have been operating in the market historically.

- iv. Please provide your organization's feedback on the modifications for UCAP counting rules for storage resources as described in section 4.1.2. Please explain your rationale and include examples if applicable.

The Council provides feedback here on the modifications for UCAP counting rules for demand response (DR) resources as described in section 4.1.2. The Council continues to oppose the use of an ELCC methodology to determine the UCAP for DR resources for the reasons it provided in its June 24, 2020 comments. Furthermore, it is unreasonable to expect stakeholders to support the utilization of an ELCC methodology when exactly

how that methodology will be applied is unknown. The analysis performed by E3 and presented at the May 27 stakeholder meeting for the Energy Storage and Distributed Energy Resources Phase 4 (ESDER 4) initiative is highly preliminary and is limited to IOU DR programs when it should also consider third-party DR resources procured through the Demand Response Auction Mechanism, Resource Adequacy, Integrated Resource Plan, Local Capacity Requirements, and IOU energy storage procurement solicitations.

CAISO adoption of this methodology for the UCAP value of DR resources would create a dual-layered capacity valuation construct such that DRPs will be subject to the DR Load Impact Protocols (LIPs) for CPUC valuation of their DR resources followed by another round of capacity valuation by the CAISO. If recent experience by DRPs with Energy Division assessment of DR load impact evaluations is any indication, DRPs' capacity will be derated twice – once by the Energy Division and again by the CAISO when it applies its ELCC methodology. This double haircut to DR resources will undervalue DR resources and discourage the entry of DR into the CAISO market. Additionally, by adopting such a discounting of CAISO-integrated DR resources, the CAISO will be creating an incentive for customers and DRPs to participate in non-CAISO-market-integrated programs, which is in contravention of CPUC policy adopted in Decision 14-03-026..

The CAISO's alternate approach to evaluate the performance of DR resources at the SC-level is also problematic for the reasons described in the Council's June 24 comments. The Council recommends that the CAISO instead consider a similar approach to that used by the New York Independent System Operator (NYISO).¹ The NYISO calculates a resource-specific UCAP value of each DR resource based on the prior year's performance. A one-year lookback is more accurate than a three-year lookback because DR resources are highly likely to change in size and composition over a three-year period. For new DR resources, the NYISO applies a DRP-specific performance factor to the Installed Capacity (ICAP) value of the new resource, with the ICAP value being equivalent to the NQC value used for DR in California. The DRP-specific performance factor is weighted based on the size of each DR resource within its portfolio. The benefit of a DRP-specific approach is that the UCAP of each DRP's resources is directly related to the performance of the DRP and is not dependent on the performance of other DRPs' resources, which can erode incentives for high performing DRPs. The Council proposes that measurement of DRP performance for this purpose would begin in the calendar year following CAISO Board and FERC (as necessary) approval of the UCAP component of the RA Enhancements initiative. New DRPs would initially be assigned a weighted average performance factor of all DRPs until they have one year of performance at the CAISO.

The application of any DRP-specific factor should be applied at the DRP ID level as one CAISO DRP can be providing services to multiple different entities and this can ensure that a specific performance factor is assigned to the performance of that portfolio. As the

¹ NYISO Installed Capacity Manual, June 2020, Section 4.12, https://www.nyiso.com/documents/20142/2923301/icap_mnl.pdf/234db95c-9a91-66fe-7306-2900ef905338

CAISO can inquire as to why new DRP IDs are created it can be sure that new IDs are not created to “game” this system, but rather to properly reflect the portfolio and its performance.

- c. Please provide your organization’s feedback on the System RA Showing and Sufficiency Testing topic as described in section 4.1.3. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- d. Please provide your organization’s feedback on the Must Offer Obligation and Bid Insertion Modifications topic as described in section 4.1.4. Please explain your rationale and include examples if applicable.

- i. Please provide your organization’s feedback on generally defining variations to the must offer obligations and bid insertion into the day-ahead market based on resources type, as described in Table 12 in section 4.1.4. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- e. Please provide your organization’s feedback on the Planned Outage Process Enhancements topic as described in section 4.1.5. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- f. Please provide your organization’s feedback on the RA Import Requirements topic as described in section 4.1.6. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- i. Please provide your organization’s feedback on the issue of whether firm transmission service on the last line of interest to the CAISO BAA will ensure reliability and is feasible, or whether the CAISO should require point-to-point, source to sink firm transmission service as originally proposed, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- ii. Please provide your organization's feedback on other BAA's systems bordering the CAISO and whether such a "last line of interest" proposal is feasible and would effectively support RA import capacity dependability and deliverability, as described in section 4.1.6 page 68. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- iii. Please provide your organization's feedback on whether a non-compliance penalty or other enforcement actions are necessary if delivery is not made under firm transmission service, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- iv. Please provide your organization's feedback on how to convey the last line of interest, as described in section 4.1.6 page 69. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- v. Please provide your organization's feedback on the options proposed in section 4.1.6 and any other potential mechanisms that would best ensure RA imports are dependable and deliverable if the CAISO were to adopt, as an alternative, a "last line of interest" firm transmission service requirement. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- g. Please provide your organization's feedback on the Operationalizing Storage Resources topic as described in section 4.1.7. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

2. Flexible Resource Adequacy

Please provide your organization's feedback on the Flexible Resource Adequacy topic as described in section 4.2. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

3. Local Resource Adequacy

Please provide your organization's feedback on the Local Resource Adequacy topic as described in section 4.3. Please explain your rationale and include examples if applicable.

- a. Please provide your organization's feedback on the UCAP in Local RA Studies topic as described in section 4.3.1. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

4. Backstop Capacity Procurement Provisions

Please provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 4.4. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- a. Please provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 4.4.2. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- b. Please provide your organization's feedback on the Making UCAP Designations topic as described in section 4.4.3. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- c. Please provide your organization's feedback on the Reliability Must-Run Modifications topic as described in section 4.4.4. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- i. Please provide your organization's feedback on an appropriate availability incentive design to apply to RMR resources after the removal of the RAIM tool, as described in section 4.4.4. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

- d. Please provide your organization's feedback on the UCAP Deficiency Tool topic as described in section 4.4.5. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

5. Please provide your organization's feedback on the implementation plan, including the proposed phases, the order these policies must roll out, and the feasibility of the proposed implementation schedule, as described in section 5. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

6. Please provide your organization's feedback on the proposed decisional classification for this initiative as described in section 6. Please explain your rationale and include examples if applicable.

The Council reserves comment on this issue.

Additional comments

Please offer any other feedback your organization would like to provide on the Resource Adequacy Enhancements fifth revised straw proposal.