



## **Submit comment on Sixth Revised Straw Proposal - Phase 2A**

Initiative: Resource adequacy enhancements

### **1. Provide a summary of your organization's comments on the Resource Adequacy Enhancements sixth revised straw proposal – phase 2A:**

- CalCCA believes that using the top 20% may overstate the unavailability of resources that happen to be forced out during the tightest supply cushion hours, while those that happen to be forced out during the remaining 80% of the hours will have their unavailability underestimated.
- Hybrid resources should be treated similarly to their co-located counterparts and calculating hybrid NQC values based on the sum of the UCAP/NQC values of their individual components, limited to the POI capacity.
- CalCCA is concerned that CAISO's proposed approach of using the 1-in-5 load forecast plus 6% operating reserve margin under the UCAP RA methodology hasn't been adequately assessed with a thorough probabilistic loss of load expectation analysis.
- CAISO should not penalize hybrid or co-located resources for self-scheduling their VER production for storage charging that otherwise would displace grid charging.
- CalCCA supports CAISO's decision not to implement a UCAP incentive mechanism that would compensate parties that show more than their share of the RA requirement and to charge entities that show less than their share.

### **2. Provide your organization's overall position on the sixth revised straw proposal – phase 2A:**

Choose:

- Support
- Support with caveats X
- Oppose
- Oppose with caveats
- No position

### **3. Provide your organization's feedback on the System Resource Adequacy topic as described in section 6.1:**

### **4. Provide your organization's feedback on the Unforced Capacity Evaluations topic as described in section 6.1.1:**

CalCCA appreciates the CAISO's efforts to provide further data analysis around the 20% threshold selection. We continue to have concerns, however, that due to the random nature of forced outages, resources that happen to be forced out during the tightest supply cushion hours will have their unavailability overestimated (by up to a factor of 5), while those that happen to be forced out during the remaining 80% of the hours will have their unavailability underestimated. This will give the misimpression that some shown RA resources will perform much worse than they are likely to actually perform, while others will perform much better than they are likely to be able to perform. This effect will be ameliorated to some extent by averaging performance over several years, but CAISO should monitor the predictive ability of this methodology against actual resource performance to determine if adjustments should be made in the future.

### **Storage**

CalCCA supports the CAISO's revision to apply the basic UCAP methodology using seasonal availability factors to storage resources.

### **Hybrid Resources**

CalCCA appreciates CAISO's clarification that the final NQC of hybrid resources will be based on the lower of the CPUC's QC value and CAISO's calculated UCAP value so as not to double penalize hybrid resources. However, CalCCA remains concerned that relative to co-located resources, CAISO's proposal disadvantages hybrid resources' RA value. In CAISO's examples shown in Tables 13 and 14, the calculated UCAP provides the final NQC value in nearly every month for both resources A and B. This suggests the UCAP calculation that includes dynamic limit impacts has the effect of further derating the estimated capacity value of hybrid resources relative to the CPUC's methodology and yields a different result than the approach for co-located resources even though the same factors that drive the hybrid derate apply to the co-located resources. This hybrid derate is likely due to the application of dynamic limit impacts that reflect unavailability of the variable resource component, which CAISO acknowledges is not an appropriate approach for standalone variable resources. Rather than penalize hybrid resources due to this misapplication of the dynamic limit impacts, CalCCA supports treating hybrid resources similarly to their co-located counterparts and calculating hybrid NQC values based on the sum of the UCAP/NQC values of their individual components, limited to the POI capacity.

## **5. Provide your organization's feedback on the Determining Minimum System RA Requirements topic as described in section 6.1.2:**

CalCCA supports exploring a minimum Planning Reserve Margin standard but is concerned that CAISO's proposed approach of using the 1-in-5 load forecast plus 6% operating reserve margin under the UCAP RA methodology hasn't been adequately assessed with a thorough probabilistic loss of load expectation analysis to weigh the risk of potential outages and to compare that against the potential costs and benefits of reducing those risks. This assessment should be done as part of the portfolio analysis effort in Phase 2B that will identify the methodology to be used to evaluate the RA portfolio performance and to set the criteria to be used to trigger backstop procurement.

## **6. Provide your organization's feedback on the System RA Showings and Sufficiency Testing topic as described in section 6.1.3:**

CalCCA supports CAISO's proposal to not allow LSEs to procure only the unforced portion of a resource. The UCAP/NQC approach necessitates that LSE's only be allowed to show the amount of

capacity that takes into consideration appropriate counting rules, deliverability and forced outage rates.

**7. Provide your organization's feedback on the Must Offer Obligation and Bid Insertion Modifications topic as described in section 6.1.4:**

CalCCA supports CAISO's proposal for the Must Offer Obligation (MOO) to be linked to each resource's Deliverable Qualifying Capacity (DQC), rather than the UCAP/NQC shown. The full capability of the resource that is used to support the UCAP/NQC needs to be made available to the CAISO, even though that amount typically will exceed the UCAP/NQC. Because LSEs will effectively be providing capacity to account for forced outages upfront, CAISO will no longer need to apply forced outage substitution.

CalCCA supports the MOO for eligible intermittent resources to be set at their full forecasted amount in real-time, but we are concerned that both hybrid resources and co-located resources with ITC grid charging restrictions need to have a mechanism to allow them to schedule in such a way that they can meet both the MOO and be able to generate energy that allows them to charge the storage component with the VER component when it is economical to do so. CAISO should not penalize hybrid or co-located resources for self-scheduling their VER production for storage charging that otherwise would displace grid charging.

**8. Provide your organization's feedback on the Local RA topic as described in section 6. 2:**

**9. Provide your organization's feedback on the UCAP in Local RA Studies topic as described in section 6.2.1:**

CalCCA supports the CAISO proposal to continue running the local capacity studies exactly as is done today using DQC. CalCCA remains concerned, however, that converting the local DQC amounts to UCAP/NQC for local capacity resources won't add any value given that the current pool of available local resources is limited and is already constrained both by resources' effectiveness factors and their forced outage rates. As new resources are added, incorporating forced outage rates into the local RA evaluation will incentivize increased reliability, but we are concerned that overlaying the UCAP requirement on local capacity resources may unnecessarily complicate the local capacity procurement process. Further, as noted in our previous comments about the challenges presented by CAISO's proposal to require replacement capacity for all maintenance outages, CAISO will need to address this issue explicitly for local capacity resources if it doesn't adopt a planned outage reserve margin approach, since there will be little or even no effective local capacity resources that will be available to provide substitute capacity for planned maintenance. Finally, CAISO should coordinate with the Central Procurement Entities to ensure that if it does apply the UCAP/NQC requirement to local capacity areas, that doing so does not result in an increase in local capacity procurement requirements without balancing costs and benefits.

**10. Provide your organization's feedback on the Backstop Capacity Procurement Provisions topic as described in section 6.3:**

CalCCA supports CAISO's decision not to implement a UCAP incentive mechanism that would compensate parties that show more than their share of the RA requirement and to charge entities that show less than their share. We believe it is better to encourage parties to make their resources available in the bilateral forward markets and that CAISO's decision on this point will lead to better market outcomes.

**11. Provide your organization's feedback on the Capacity Procurement Mechanism Modifications topic as described in section 6.3.1:**

CalCCA supports CAISO's proposal to modify its existing CPM authority to procure additional capacity if CAISO identifies the need to procure local RA after a local area or sub-area fails to meet the energy sufficiency test.

**12. Provide your organization's feedback on the Making UCAP/NQC Designations topic as described in section 6.3.2:**

CalCCA supports CAISO's proposal to take into consideration resources' UCAP/NQC in making CPM designations. CAISO also will need to consider effectiveness factors for local resources and for system resources that have beneficial impacts on meeting local requirements.

**13. Provide your organization's feedback on the Availability Penalty Structure for RMR Resources topic as described in section 6.3.4:**

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**14. 9. Provide your organization's feedback on the Phase 2B Pending Enhancements as described in section 7:**

CalCCA agrees that the portfolio assessment approach, the planned outage pool/planned outage margin, and flexible resource adequacy elements all merit further effort towards developing appropriate solutions. CalCCA looks forward to working with CAISO on these Phase 2B pending enhancements, but as noted in our comments above on Item 5, minimum system resource adequacy requirements, identifying the methodology to be used to evaluate the RA portfolio performance and to set the criteria to be used to trigger backstop procurement is critically linked to determining the appropriate planning reserve margin. Thus, this element is particularly important for the overall RA Enhancements effort.

**15. Additional comments on the Resource Adequacy Enhancements sixth revised straw proposal – phase 2A:**