Submit comment on Issue paper

Initiative: Clarifications to reliability must-run designation process

1. Provide a summary of your organization's comments on the Clarifications to Reliability Must-Run (RMR) Designation Process issue paper:

California Community Choice Association (CalCCA) appreciates the opportunity to comment on the Clarifications to RMR Designation Process Issue Paper (Issue Paper). Given the tight supply conditions facing California in the coming years, and the resulting system and local RMR designations that have occurred in recent months, it is prudent for the California Independent System Operator (CAISO) to commence this initiative to evaluate how RMR costs and credits are allocated when a resource meets both a local and system reliability need.

The CAISO should allocate RMR costs in a manner that reflects benefits received. As such, the CAISO must revisit the process for allocating costs when a resource is needed for both local and system reliability. The costs for local RMR are allocated to all load-serving entities (LSEs) serving load in the transmission access charge (TAC) area in which the local area is located. The costs for system RMR are allocated to all LSEs in all TAC areas since the resource serves needs across the entire system. When an RMR meets both a system and local need, it is not appropriate to allocate costs only to LSEs in the local area because all customers will benefit from the reliability to the system afforded by the RMR. Therefore, the CAISO should modify the process for designating RMRs by assessing if the resource meets both local and system reliability needs and allocate costs to all customers that benefit from the RMR designation.

2. Provide your organization's comments on the primary reliability need topic, as described in section 2.1:

The Issue Paper outlines five issues to consider when choosing a primary reliability need for which to make an RMR designation when two reliability needs exist, including:

1. Historical considerations of local reliability needs as primary;
2. Infrastructure investment incentives;
3. LSEs benefitting from the RMR;
4. The local resource adequacy (RA) premium; and
5. The need to convert existing RMR contracts.

As the CAISO notes, since start-up the CAISO only designated resources for local reliability needs and it currently considers it the primary reliability need any time it is binding. However, given the current state of California supply conditions, the CAISO issued RMR designations for the Midway Sunset and Kingsburg plants for system reliability needs.[1] Additionally, the CAISO designated a local RMR for the Agnews plant, recognizing it was possible the resource could also have been needed

[1]http://www.caiso.com/Documents/Apr9-2021-InformationalReport-ProposedNewRegulatoryMustRun-RMR-Kingsburg-ER19-1641.pdf

from a system perspective.[2] Because local resources inherently meet system needs, when there is a system reliability need for an RMR in addition to a local need, costs and credits should be allocated on a system wide basis commensurate to those who receive the benefits. While this differs from the CAISO's historical practice of designating resources for local reliability needs only, statewide supply conditions have begun to necessitate RMRs for both system and local needs. As such, the CAISO should modify its allocation methodology so that when an RMR is meeting both reliability needs, costs and credits are allocated to all customers receiving the benefit of the resource.

The CAISO states the responsible utility has an incentive to invest in infrastructure to address local issues that drive local designations, and this incentive is lost if the system need is considered primary. While this may have been true with a small number of LSEs, the number of LSEs in each TAC area has increased substantially in recent years. This diminishes the incentives for the utility to invest in infrastructure to address local reliability needs and prevent the need for CAISO to rely on RMR because the costs of RMRs are spread among a larger quantity of LSEs. CalCCA agrees investments should be made when needed to alleviate local reliability concerns without relying on RMRs, either through transmission or generation alternatives. However, these projects will likely need to be identified in the Transmission Planning Process given the incentives for a utility to invest in infrastructure upgrades to avoid RMRs are not as strong as they once were. Given infrastructure investment incentives from RMRs alone are likely not strong enough to result in infrastructure upgrades to relieve the local reliability need, they should not drive cost allocation. Instead, cost allocation should be driven by all reliability benefits provided by the RMR.

The CAISO suggests that if a system wide need is considered the primary need, then all current local RMR contracts will have to be designated and converted to system wide RMR contracts (including cost and RA credit allocations) for as long as the system reliability need exists. This concern should not prevent the CAISO from making modifications to RMR allocations in a manner that reflects all benefits received. Upon Federal Energy Regulatory Commission (FERC) approval of modifications to RMR allocations, the CAISO should begin using this allocation process for all new RMRs designated for a system and local benefit. Existing RMRs should be converted during the process for extending RMRs that results in CAISO Board approval each October. The CAISO has indicated this initiative cannot conclude by October of this year. Therefore, the process for converting existing RMRs would be done in October 2022.

3. Provide your organization's comments on the proposed initiative schedule and EIM Governing Body role, as described in section 4:

CalCCA supports this initiative's Energy Imbalance Market (EIM) Governing Body classification.

4. Additional comments on the Clarifications to RMR Designation Process issue paper:

No additional comments at this time.

[2] http://www.caiso.com/Documents/PresentationPotentialReliabilityMustRunDesignationAgnewsPowerPlantMay182021.pdf at 7.