Comments on Comments on Central procurement entity implementation - draft final proposal

Initiative: Central procurement entity implementation

Comment period

Jan 07, 2022, 11:30 am - Jan 20, 2022, 05:00 pm

Submitting organizations

California Community Choice Association

California Department of Water Resources

Middle River Power, LLC

Pacific Gas & Electric

Southern California Edison

California Community Choice Association

Submitted on 01/20/2022, 02:20 pm

Contact

Shawn-Dai Linderman (shawndai@cal-cca.org)

1. Please provide a summary of your organization's comments on the Draft Final Proposal.

California Community Choice Association (CalCCA) appreciates the opportunity to comment on the California Independent System Operator's (CAISO's) Central Procurement Entity (CPE) and Resource Adequacy Availability Incentive Mechanism (RAAIM) Settlement Modification Draft Final Proposal. Despite concerns with how the current hybrid CPE framework[1] for California Public Utilities Commission (CPUC) jurisdictional entities is functioning, CalCCA generally supports the CAISO's proposal to implement changes to its tariff and systems to accommodate central procurement entities and its proposal to modify the RAAIM settlement process. In summary:

CalCCA does not oppose the CAISO's proposals related to system and local obligations for CPEs and load-serving entities (LSEs) with load in multiple Transmission Access Charge (TAC) areas;

CalCCA supports the CAISO's proposal to implement functionality to accept and validate system and flexible Resource Adequacy (RA) credits from the CPE;

CalCCA has concerns with a proposal that would first allocate local obligations to the CPE, then reallocate them to self-showing LSEs as proposed by the CAISO in CPUC's Rulemaking (R.) 21-10-002 (RA Proceeding); and,

CalCCA supports the CAISO's proposal to modify the RAAIM settlement process to eliminate the rollover of excess funds from unavailability charges above the monthly cap.

[1] See CPUC Decision (D).20-06-002.

2. Please provide comments on the system and local obligation for CPE and LSEs with load in multiple TAC Areas.

Notwithstanding CalCCA's concerns with CAISO's proposal in the CPUC's RA Proceeding to reallocate local obligations to LSEs who self-show[1], CalCCA does not oppose the CAISO's proposal to exempt a CPE or LSE with no load share in a TAC area from the cap on local obligations at their demand plus Planning Reserve Margin (PRM). CalCCA also does not oppose CAISO's proposal to cap local obligations for LSEs with load in multiple TAC areas at their demand plus PRM requirements in each TAC rather than its system obligation.

[1] *California Community Choice Association's Comments on Assigned Commissioner's Scoping Memo and Ruling*, Jan. 4, 2022: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M436/K682/436682836.PDF. *California Community Choice Association's Reply Comments on Assigned Commissioner's Scoping Memo and Ruling*, Jan. 13, 2022: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M440/K100/440100021.PDF.

3. Please provide comments on the allocation of system and flexible attributes of Local RA Resources.

CalCCA supports the CAISO's proposal to implement functionality to accept and validate system and flexible RA credits from the CPE.

4. Please provide comments on the clarification of CPM Process and Cost Allocations.

The CAISO's proposal for the Capacity Procurement Mechanism (CPM) process and cost allocations discusses how CPM cost allocation would work under the CPUC's hybrid procurement framework. The CAISO states, "As a general principle, the CPM cost allocation for an individual local RA deficiency will follow the entity assigned the local obligation by the LRA."[1] Under D.20-06-002, the CPE is the entity assigned the local obligation. Therefore, the CPE will be allocated the costs associated with local backstop procurement performed by the CAISO. The backstop costs incurred by the CPE would then be allocated to LSEs through the cost allocation mechanism (CAM). Within the CPUC process, if a self-shown resource received a local capacity requirement (LCR) reduction compensation mechanism (RCM) payment and then did not show the resource to the CAISO, then the LCR RCM payment should not be paid. This is a matter for the CPUC to address and not the CAISO.

Under this current structure, CalCCA does not oppose the CAISO's proposed CPM process and cost allocation proposal. The proposal would allocate CPM costs for an individual local RA deficiency to the entity assigned the local obligation (the CPE in the current CPUC regulations) and allocate CPM costs for collective deficiencies pro-rata to all LSEs. For collective deficiencies, the CAISO should instead determine the load share of LSEs procured for by the CPE and allocate collective CPM costs to the CPE rather than directly to LSEs. This way, both individual and collective local deficiencies are allocated to the CPE first and can then be allocated to LSEs through CAM.

The CAISO indicates that in discussions with CPE staff, there is concern around CPM cost allocation if LSEs self-show to the CPE but fail to show the same resources to the CAISO.[2] The CAISO suggests that if stakeholders would like to change the current process to address this concern, proposals should be submitted in the CPUC's RA Proceeding to modify how local allocations are made by the CPUC. The CAISO submitted a proposal to the CPUC to first allocate local obligations to the CPE, then reallocate obligations corresponding to self-shown resources to individual LSEs.[3] Under the hybrid framework, CalCCA has concerns about this proposal because reallocation would transfer the substitution obligation for shown resources from the CPE to individual LSEs. Additionally, the risk of backstop costs associated with reallocation is only offset by the LCR RCM which is very low, often $0. Given the CAISO soft offer cap for CPM at $6.31/kW-month, the offsetting revenues and cost reductions are likely to be insufficient for an LSE to self-provide a resource. CalCCA further describes the inadequate incentives and the disincentivizes that exist under the current framework and would be exacerbated if local obligations were shifted to self-showing LSEs under a hybrid model in its reply comments to R.21-10-002.[4] CalCCA does not support proposals that would further disincentivize self-showing to the CPE.

When the costs and risks of self-showing outweigh the benefit an LSE receives by self-showing, the result will be fewer resources shown to the CPE. Additionally, when many local areas are extremely tight, such that most or all local resources are needed to meet the local RA requirement, it may be impossible for the CAISO to backstop to fill deficiencies. This is because all local resources not shown by the CPE are likely already under contract and being used by other LSEs to meet their system obligations or provide substitution.

[1] CAISO Draft Final Proposal at 14.
[2] CAISO Draft Final Proposal at 14.
[3] *Phase 1 Proposals of the California Independent System Operator*, Dec. 23, 2021: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M434/K617/434617749.PDF.
[4] *California Community Choice Association's Reply Comments on Assigned Commissioner's Scoping Memo and Ruling*, Jan. 13, 2022: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M440/K100/440100021.PDF.

5. Please provide comments on the RAAIM settlement process enhancements.

CalCCA supports the CAISO's proposal to modify the RAAIM settlement process to eliminate the rollover of excess funds from unavailability charges above the monthly cap.

6. Please provide comments on the EIM Governing Body classification.

CalCCA supports the EIM Governing Body Classification of this initiative.

7. Please provide any additional input not included above related to the Draft Final Proposal.

CalCCA has no additional comments at this time.

8. Attachments

California Department of Water Resources

Submitted on 01/20/2022, 01:28 pm

Contact

Mohan Niroula (mohan.niroula@water.ca.gov)

1. Please provide a summary of your organization's comments on the Draft Final Proposal.

CDWR reiterates its comments provided on the straw proposal, in general. CAISO clarified that the local RA capping applies to monthly showing only. CDWR encourages CAISO to explore extending the capping to apply to annual showing also.

2. Please provide comments on the system and local obligation for CPE and LSEs with load in multiple TAC Areas.

CDWR reiterates its comments on the straw proposal. In addition, the CAISO clarified that the local RA capping applies only to the monthly showing.

CDWR believes that the proposed application of local RA capping for monthly RA showing should also apply to annual RA showing. LSEs with load in multiple TAC areas and having load variations uncertainty driven primarily by hydrology may experience drastic change in load, from year to year. For example, the load forecast used in LCR allocation for next year is generated some time in April of this year. For LSEs with load dependent primarily on hydrology, load forecast generated after April (for example, in August) for next year and used for the next year's annual RA plans could be drastically different. If the forecast generated in August is much lower and is used in annual RA showing, the local RA need could be much higher than the LSE's system RA need for a particular month. For an annual plan, since there is no local RA capping (as opposed to the proposed local RA capping for monthly plans), LSEs with load in multiple TAC areas could be showing much higher local RA obligations compared to its system need for that month. This requires the LSE to be subject to CPM cost for shortfall if not self-procured and an unnecessary cost of local RA procurement if procured by the LSE. Moreover, without capping of local RA in annual showing, if ISO does backstop procurement to address the shortfall in an annual showing of an LSE's local RA for a month and if in the monthly showing for the same month, the LSE's local RA is reduced due to capping at the system RA level in the respective TAC area, the ISO procured local RA capacity (above the needed monthly local obligation) in the annual process would be rendered unnecessary because the monthly local RA obligation is reduced compared to the annual showing. In that scenario, the ISO procured capacity will be a stranded cost as the LSE cannot sell it and recoup the cost. Likewise, if an LSE self-procured the capacity in the annual showing and the local RA obligation is reduced in monthly showing compared to the annual showing, the extra capacity shown in the annual beyond the needed monthly showing local obligation would have to be resold which will add extra burden and uncertainty of recouping the cost by selling in a monthly process. The issue faced by such an LSE with load in multiple TAC areas (which is identified and addressed for the monthly showing in the proposal) can also exist in the annual showing. These concerns can be addressed by applying capping of local RA obligation to the annual showing as well. Therefore, CDWR believes the local RA capping should also apply to annual plan (similar as proposed for monthly showings).

Even though annual system RA plan showing is required for 5 summer months with 90% of total system requirement, local RA capping in annual plan could be done at the 100% system RA requirement level based on the LSE's monthly demand forecast used for the annual plan. If the demand forecast for each month is not available in the annual plan (which requires only 5 summer months), the annual demand forecast for all 12 months could be available from CEC (for example, in annual LCR allocations). CDWR also believes that adjustments to the local RA obligations in annual showing relatively may not be as critical for reliability as it is for a monthly showing. The monthly RA showing determines the true obligation and resources that would be subject to the must offer obligation.

3. Please provide comments on the allocation of system and flexible attributes of Local RA Resources.

No comment.

4. Please provide comments on the clarification of CPM Process and Cost Allocations.

No comment.

5. Please provide comments on the RAAIM settlement process enhancements.

CDWR reiterates its comments provided in the straw proposal.

6. Please provide comments on the EIM Governing Body classification.

No comment.

7. Please provide any additional input not included above related to the Draft Final Proposal.

No comment.

8. Attachments

Attachments

[StakeholderCommentTemplate- CPE draft final proposal -CDWR-final-for submittal 01202022.docx]

Middle River Power, LLC

Submitted on 01/20/2022, 04:45 pm

Contact

Brian Theaker (btheaker@mrpgenco.com)

1. Please provide a summary of your organization's comments on the Draft Final Proposal.

Middle River Power (MRP) does not support the CAISO's proposed modifications to the Resource Adequacy Availability Incentive Mechanism (RAAIM) settlement because the CAISO has not fully explained how its proposal resolves the identified problem. Instead, to address the narrow settlement issue the CAISO has identified, MRP recommends the CAISO consider prioritizing paying refunds before incentives while keeping the remaining aspects of the current RAAIM settlement intact.

2. Please provide comments on the system and local obligation for CPE and LSEs with load in multiple TAC Areas.

MRP understood and supported the CAISO's proposal to allow the CPE to be a scheduling coordinator and a market participant because of the possibility that the CPE might acquire physical scheduling and dispatch rights for resources. However, the CAISO's proposed modifications only allow the CPE to submit RA plans and do not allow the CPE to submit CAISO market bids for resources. As such, MRP perceives that the only reason the CAISO is designating the CPE as a scheduling coordinator is to allow the CAISO to allocate the CPE backstop procurement costs. In this sense, it may not be appropriate to consider the CPE as a market participant.

3. Please provide comments on the allocation of system and flexible attributes of Local RA Resources.

MRP has no comment.

4. Please provide comments on the clarification of CPM Process and Cost Allocations.

MRP understands that the CAISO will contonue to allocate the majority of the CPM costs to LSEs on a pro-rata basis, and only if the CPE is deficient Local RA would the CAISO allocate CPM costs directly to the CPE for its share of the deficiency rather than to LSEs on a pro-rata basis. MRP also understands that the CPE allocates its procurement costs to LSEs for whom it is procuring on a pro-rata basis. In this manner, LSEs would be allocated the same costs as if the CAISO were to directly allocate costs to the LSEs. Therefore, MRP questions the benefit of allocating CPM costs for CPE deficiencies directly to the CPE rather than the LSEs if the LSEs effectively receive the same amount of costs whether it be from the CPE or the CAISO. MRP agrees that if the CPE's cost allocation differs from the CAISO's cost allocation, then it may make sense to adjust assign costs directly to the CPE first. However, MRP does not believe that is the case at this time and therefore does not believe the CAISO's proposal is an improvement.

5. Please provide comments on the RAAIM settlement process enhancements.

MRP continues to oppose the CAISO's proposal because the CAISO has not clearly articulated why its proposal is better than other alternatives to solve the problem. Based on the background section of the draft final proposal, MRP understands that the CAISO's problem results if there is a refund obligation that arises at a point when there are not sufficient unallocated RAAIM penalty funds with which to pay a generator. Based on the discussion in the previous workshop, the CAISO stated that it was unable to prioritize refunds to be paid out of surplus RAAIM penalty roll-overs because of the neutrality rules within the Tariff. MRP does not understand the reasoning behind this issue and believes that it requires additional discussion.

MRP believes the proposal modifies several aspects of the RAAIM program and has unintended consequences. It creates fewer incentives for resources to maintain reliability in the long run because the 3X incentive cap is effectively reduced in the supplier funded RAAIM program. In the issue paper, the CAISO stated that a scheduling coordinator could use the carry-forward mechanism to hedge against its RA obligations.[1] While this statement no longer exists in the draft final proposal, MRP submits that under the CAISO's proposal, scheduling coordinators of load serving entities that also own generation would gain an advantage to hedge against their resource RA obligations when the surplus would be allocated to them rather than to generators that are not owned by LSEs. Under the CAISO's proposal, the surplus allocated to LSEs, including those that own generation, would have been an extra $927,836 in 2020 and $3,745,637 in 2019.[2] Those funds would have been rolled over to encourage better availability performance for generators were it not for the CAISO's proposal.

MRP proposes to the CAISO that if another such refund occurs, the CAISO should use RAAIM penalty funds collected within the month, along with any roll-over RAAIM surpluses funded by generators first before paying out RAAIM incentive payments. This would retain the self-funding mechanism of RAAIM while ensuring CAISO has sufficient funds to pay out any refunds. The roll-over mechanism could be used to pay for any previous refunds. While this does not ensure that the generators that would refund incentive payments in one month are the same generators that received the incentive payments for the prior month, it helps provide that the CAISO has sufficient funds for the refund.

MRP would be happy to discuss this proposal with the CAISO.

[1] Issue Paper, page 15

[2] See CAISO Annual RAAIM Report
http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=E6035720-CBC9-447A-A83D-44C9ACB74481

6. Please provide comments on the EIM Governing Body classification.

MRP has no comment.

7. Please provide any additional input not included above related to the Draft Final Proposal.

MRP requests the CAISO provide data on how often the RAAIM refund issue has occurred and the magnitude of each occurrence. This information will help MRP and other stakeholders assess the CAISO's proposal.

8. Attachments

Pacific Gas & Electric

Submitted on 01/20/2022, 04:54 pm

Contact

Matt Connolly (mhco@pge.com)

1. Please provide a summary of your organization's comments on the Draft Final Proposal.

Pacific Gas & Electric Company (PG&E) appreciates the CAISO's continued efforts in this initiative to update the tariff language and seek stakeholder input on incorporating the Central Procurement Entity (CPE) construct. PG&E continues to support many of the CAISO's proposals outlined in the Draft Final Proposal and the Draft Tariff Language and offers the following comments for consideration.

2. Please provide comments on the system and local obligation for CPE and LSEs with load in multiple TAC Areas.

PG&E appreciates CAISO's response to its previous comments and supports the modification "to exempt any entity without load share in a TAC area that their local obligation could not exceed their system obligation in each TAC area." (Draft Final Proposal, p.12).

3. Please provide comments on the allocation of system and flexible attributes of Local RA Resources.

As noted in our comments[1] on the CAISO's draft tariff language, PG&E requests the CAISO's consideration of a default methodology to allocate the system and flexible attributes of CPE-procured Local RA Resources to individual load serving entities (LSE) if the assignment has not been determined by local regulatory authority (LRA). As discussed on the stakeholder call on January 13, 2022, a default methodology could be based on a load share ratio calculation that is limited to LSEs represented by the CPE (and does not include non-CPUC jurisdictional LSEs).

[1] Comments on Central Procurement Entity Implementation - Draft Tariff Language, Pacific Gas & Electric, January 6, 2022 at https://stakeholdercenter.caiso.com/Comments/AllComments/a1bfaf30-69cc-4ae9-bae4-76005beacd29#org-a1d14efd-92ac-4f9c-820e-6b2b1503a72c

4. Please provide comments on the clarification of CPM Process and Cost Allocations.

PG&E appreciates the attention and consideration the CAISO has given to the CPM cost allocation modifications to recognize the role of the CPE in the CPM process; however, PG&E still has concerns with the CAISO's proposal and maintains its position as noted in previous comments in this initiative and within the CPUC's current Rulemaking (21-10-002).[1]

[1] *See* PG&E's Opening Comments on Phase 1 Proposals in CPUC Rulemaking 21-10-002, pp. 10-12. https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M436/K656/436656171.PDF

See also PG&E's Reply Comments on Phase 1 Proposals in CPUC Rulemaking 21-10-002, pp. 3-8. https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M440/K092/440092142.PDF

5. Please provide comments on the RAAIM settlement process enhancements.

As noted in prior comments, PG&E supports the CAISO's proposed enhancements to the RAAIM settlement process.

6. Please provide comments on the EIM Governing Body classification.

PG&E agrees with the CAISO's classification that this initiative falls outside of the EIM Governing Body's advisory role.

7. Please provide any additional input not included above related to the Draft Final Proposal.

Based on the stakeholder call on January 13, 2022, PG&E understands that the CAISO plans to update its proposed tariff language in Section 4 in response to stakeholder concerns by removing the additional language proposed in Section 4.18 of the draft tariff language in its entirety that included the responsibilities of the Scheduling Coordinator of the CPE mirroring that of a convergence bidding entity. PG&E supports CAISO's proposal on the stakeholder call to remove Section 4.18 and the proposed pro forma agreement referenced within and instead allow the CPE to be represented by the Scheduling Coordinator of the LSE that its shares. PG&E further supports the need for a distinct Scheduling Coordinator ID to ensure separation of the CPE and LSE functions under a shared Scheduling Coordinator.

PG&E also supports Southern California Edison Company's comment made on the stakeholder call on January 13, 2022 to remove the proposed language in Section 4.18 that restricts the Scheduling Coordinator of the CPE from submitting bids into the CAISO's energy market. As mentioned on the call and in previous comments, the CPE is encouraged to procure dispatch rights under CPUC Decision 20-06-002 and should maintain the ability to submit bids under the CAISO Tariff when applicable.[1]

With respect to both of the updates to the proposed tariff language as discussed on the stakeholder call and reiterated here, PG&E believes that the proposed CPE definition in Appendix A will need to be modified accordingly as well.

[1] D.20-06-002, pp. 49-50.

8. Attachments

PG&E has no attachments to provide.

Southern California Edison

Submitted on 01/20/2022, 03:05 pm

Contact

Kathy Wong (kathy.wong@sce.com)

1. Please provide a summary of your organization's comments on the Draft Final Proposal.

Southern California Edison (SCE) supports the CAISO's *Central Procurement Entity Implementation and RAAIM Settlement Modification, Draft Final Proposal's* (Draft Final Proposal's) recommendation to exempt a Central Procurement Entity (CPE) from the existing tariff provision that a local resource adequacy (RA) obligation cannot exceed the system obligation in each transmission access charge (TAC) area. However, SCE reiterates that Load Serving Entities (LSEs) outside of their TAC who self-show should not be assigned any local RA obligation for that TAC area.

SCE also supports the CAISO's proposal to modify CIRA to match the allocation of system and flexible attributes with the exact quantity of local RA shown by the CPE. Finally, SCE agrees with the CAISO's draft tariff changes, as presented at the January 13 workshop, to update its tariff and systems, as it relates to the Capacity Procurement Mechanism (CPM) and cost allocations, and to provide flexibility to accommodate potential changes the California Public Utilities Commission (Commission or CPUC) may adopt through the CPUC RA Phase 1 proceeding, as it relates to self-showing resources.

2. Please provide comments on the system and local obligation for CPE and LSEs with load in multiple TAC Areas.

In its Draft Final Proposal, the CAISO states that "[i]n instances where a CPE or LSE does not have load share in a specific TAC area, but is assigned a local obligation by a LRA[)], the CAISO proposes to exempt the entity from this provision of the tariff and develop software enhancements to support this exemption."[1] SCE supports that proposal so that LSEs who commit to self-show capacity will be required to meet their assigned obligation. SCE also supports CAISO's proposal that an LSE's local RA obligation cannot exceed its system obligation in each TAC area for the applicable month.

Regarding the applicability of this exemption to an LSE outside the CPE's TAC area, SCE reiterates its position, as discussed in its filings in the CPUC's RA Phase 1 proceeding, that an LSE outside of the CPE's TAC area should not be assigned any local RA obligation for that TAC area since it does not receive any of the CAM credits or other benefits that LSEs within the TAC area receive.[2] While the CAISO's proposal here is not conflicting with SCE's position, in SCE's view, the CAISO should not assign a local obligation to an LSE who self-shows local capacity to a CPE if that LSE is outside the CPE's TAC area. SCE strongly believes by doing so, it will increase incentives for self-showing.

Further, since the CAISO proposal is based on the existing Tariff Section 40.3.2 (a), which provides that an LSE will not be assigned a local obligation in excess of "its applicable Demand and Reserve Margin requirements for the applicable month", SCE seeks clarification regarding the purpose of this existing provision, the history of why this provision was introduced, the issue(s) it is trying to address, and its desired outcome. Having that information will help SCE and other stakeholders better understand the context of this provision and how it is intended to be applied.

[1] *See* SCE's Phase I Proposal p. 4.

[2] Draft Final Proposal p. 11.

3. Please provide comments on the allocation of system and flexible attributes of Local RA Resources.

SCE agrees with CAISO's proposal to implement separate fields in the LRA Credit templates in CIRA to accept and validate system CPE cost allocation mechanism (CAM) credits to match the allocation of system attribute of local RA resources with the exact quantity of local RA resources shown by the CPE, and to match the allocation of flexible attribute with the exact quantity of flexible attribute of the local RA resources shown by the CPE. Because local and system attributes of RA resources cannot be unbundled, it is reasonable for the self-showing LSE to receive the same amount of system credits equal to the same quantity of local RA resources self-shown and is expected to be shown by that LSE.

4. Please provide comments on the clarification of CPM Process and Cost Allocations.

As discussed in the January 13 CAISO workshop on its proposals for its draft tariff modifications, SCE understands that the CAISO is addressing changes that are required to implement the CPE process, prior to the proposed modifications. However, SCE supports the CAISO in making whatever updates that are necessary to its system related to the CPM process and cost allocations, so that it can accommodate CPE modifications adopted by the CPUC, particularly as it relates to concerns regarding self-showing resources.

5. Please provide comments on the RAAIM settlement process enhancements.

SCE supports the CAISO's proposal to simplify the RAAIM settlement process by eliminating the rule that unavailability charges assessed in excess of the monthly cap will roll-over to fund allocations in future months. CAISO proposes that excess funds based on activity in that month should be based on the allocation formula that currently applies to the year-end allocation and to allocate excess RAAIM charges for Generic RA or Flexible RA to metered demand.

6. Please provide comments on the EIM Governing Body classification.

SCE has no comment at this time.

7. Please provide any additional input not included above related to the Draft Final Proposal.

SCE as no additional input at this time.

8. Attachments

N/A