

# Stakeholder Comments Template

## Regional Resource Adequacy Initiative

### Issue Paper

| Submitted by  | Company                                     | Date Submitted  |
|---|---|-----------------|
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This template has been created for submission of stakeholder comments on the issue paper for the Regional Resource Adequacy Initiative that was posted on December 9, 2015. The issue paper and other information related to this initiative may be found at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/RegionalResourceAdequacy.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **January 7, 2016**.

If you are interested in providing written comments on the issue paper, please provide your comments below.

AWEA and CalWEA appreciate the opportunity to comment on the ISO's Regional Resource Adequacy Initiative Issue Paper dated December 9, 2015. AWEA and CalWEA are strong supporters of the expansion of the ISO footprint as we expect that the expansion will not only benefit all ratepayers within the expanded ISO footprint due to improved system reliability and efficiency, but also will become a major enabler for the interconnection and integration of carbon-free and economic renewable resources west-wide.<sup>1</sup> However, we believe that some of the ISO's current protocols and practices, and relevant tariff provisions, if any, should be modified for both existing and new sub-regions of the expanded footprint in order to make this expansion more successful.

AWEA and CalWEA broadly support the expansion of the ISO's well-functioning RA program, including the flexible RA program, to the expanded footprint. We strongly advocate, however, that the ISO modify the protocols and practices of the RA program before expanding its footprint, as follows:

1. **Determination of Qualifying Capacity of Renewable Resources:** AWEA and CalWEA have extensively worked with FERC, NERC and various state regulatory and operating entities to promote the Effective Load Carrying Capability (ELCC) approach for determining the qualifying capacity of generation resources. The widespread adoption of the ELCC approach

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<sup>1</sup> See, e.g., Lazard, "Lazard's Levelized Cost of Energy Analysis – Version 8.0" (September 2014).

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by NERC<sup>2</sup>, as well as various state jurisdictions including work in progress at the CPUC<sup>3</sup>, is due to the accuracy with which the ELCC approach reflects the contribution of a resource to the supply capacity adequacy needs in a balancing authority area.

AWEA and CalWEA recognize that the determination of qualifying capacity for a resource is the responsibility of state regulators. However, given the direct impact that the calculation of qualifying capacity has on system reliability, many state regulators rely on recommendations from the system operator(s) within their jurisdiction to make decisions on the choice of methodology. All ISOs currently have their own method for calculating the capacity value contribution of wind energy, and these ISO methods are widely relied upon by regulators and market participants for assessing capacity value contributions.<sup>4</sup> ELCC methods have been used to calculate renewable resources' capacity value in numerous ISO renewable integration studies.<sup>5</sup> Hence, AWEA and CalWEA recommend that the ISO promote the adoption of ELCC-based qualifying capacity calculation for all intermittent resources, if not all resources, in its entire footprint. Further, the ISO should offer to calculate the qualifying capacity for system resources in any state jurisdiction, using a default ELCC-based approach, if requested by that state's regulatory agency.

Importantly, this ELCC calculation should be updated following an expansion of the ISO footprint, to properly account for the impact of geographic diversity in electricity supply and demand on the capacity value contribution of all resources. This is particularly important for variable renewable resources, which see significant increases in their capacity value contribution over larger balancing areas due to the geographic diversity of their output.

- 2. Transmission Deliverability Assessment:** The ISO's transmission deliverability assessment is intended to determine whether a resource's qualifying capacity should count towards the system's resource adequacy needs based on "availability of sufficient transmission capacity." In other words, a resource's Resource Adequacy (RA) capacity can be discounted from its qualifying capacity value if sufficient deliverability transmission capacity is not available for that resource. CalWEA, as well as other California stakeholders, have had ongoing objections to the ISO's transmission deliverability assessment approach, citing its overly restrictive nature which severely discounts a resource's ability to meet system-RA capacity needs. This is because, according to the ISO's transmission deliverability assessment methodology, the availability of sufficient transmission capacity for a resource is determined based on available transmission capacity between that resource and the load centers in the CAISO footprint under an unrealistic and overly restrictive system dispatch condition that also assumes the two worst transmission contingencies in the system.

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<sup>2</sup> See, e.g., "Methods to Model and Calculate Capacity Contributions of Variable Generation for Resource Adequacy Planning." Princeton, NJ: North American Electric Reliability Corp. (March 2011), available at: <http://www.nerc.com/files/ivgtf1-2.pdf>.

<sup>3</sup> See, e.g., CPUC R. 14-10-010, "Assigned Commissioner and Administrative Law Judge's Phase 2 Scoping Memo and Ruling" (12-23-15), requesting proposals related to ELCC for wind and solar resources.

<sup>4</sup> <http://uvig.org/wp-content/uploads/2015/05/VGinmarketstableApr2015.pdf>

<sup>5</sup> See, e.g., <http://www.pjm.com/~media/committees-groups/subcommittees/irs/postings/pjm-pris-task-3a-part-f-capacity-valuation.ashx>, [http://www.iso-ne.com/committees/comm\\_wkgrps/prtcpnts\\_comm/pac/reports/2010/newis\\_report.pdf](http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/reports/2010/newis_report.pdf),

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AWEA's and CalWEA's main objection to the ISO's transmission deliverability assessment approach is not necessarily with its assumption that transmission capacity should be available between the resource and load centers in the ISO's footprint, but rather with the assumption of unreasonable operating conditions. In that regard, we propose the following reforms for the ISO's transmission deliverability assessment approach:

- The system dispatch used in the transmission deliverability assessment should be consistent with typical operating practices for the ISO; and
- Transmission capacity availability should be considered under normal operating conditions and not an N-2 outage condition.