

Comments of Powerex Corp. on NRS-RA Import Resource Bid Insertion Tariff Clarification

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on the CAISO’s proposed tariff clarifications regarding the Non-Resource-Specific System Resource Adequacy (“NRS-RA”) bid generation and insertion provisions.

Powerex supports the CAISO’s proposed tariff modifications to Section 40.6.2(a) to clarify that an NRS-RA Resource has an obligation to bid its full resource adequacy capacity into the real-time market when it receives a partial award in the integrated forward market (“IFM”)—in the form of a day-ahead market award or residential unit commitment award.

During the August 21 stakeholder call the CAISO explained that it also intends to modify Section 40.6.8(f) of the tariff to align with the CAISO’s current operational practices for automatic RA bid generation and insertion. For the day-ahead market, the CAISO will continue its current practice of inserting a bid for the full amount of the NRS-RA resource’s capacity. However, the CAISO proposes to change its tariff to clarify that the CAISO will only generate and insert a self-schedule into the real-time market to match any IFM awards and the CAISO will not submit generated bids beyond the quantity of any IFM awards. Under the CAISO’s proposed tariff change, an NRS-RA resource that fails to bid its full resource adequacy capacity into the real-time market when it receives a partial award in the IFM may be exposed to RAIM penalties.

While Powerex is generally supportive of clarifications that enable market participants to fully understand CAISO’s current operational practices, Powerex does not support the CAISO’s proposal to modify its tariff to incorporate a bid insertion practice that is inconsistent with the general resource adequacy bidding obligations applicable to NRS-RA Resources.

CAISO explains the rationale for not generating and inserting bids in the real-time market beyond any IFM awards as an effort to avoid the reliability risks that could arise if sellers of import resource adequacy from NRS-RA resources do not deliver on their real-time energy obligations. Specifically, CAISO raises concerns that energy that “may not be tagged or delivered” because the seller of such Import RA capacity “may not have energy delivery planned for MWs over DA awards.”¹ Furthermore, CAISO raises concerns regarding inefficient transmission utilization if sellers of import resource adequacy fail to deliver on their real-time market awards.

¹ CAISO Presentation on NRS-RA Import Resource Bid Insertion Tariff Clarification, August 21, 2019.

The concerns CAISO has identified only serve to highlight the harmful outcomes that inevitably result when marketers are permitted to sell import resource adequacy that is not backed by real physical capacity and transmission, leaving the CAISO to bear the reliability risks of seeking last-minute alternative supply when such speculative supply does not materialize.

Powerex believes it is counterproductive to maintain an RA framework that allows speculative supply to participate in meeting resource adequacy requirements while the CAISO simultaneously maintains operational practices—supported by the proposed isolated modifications to its tariff—that are inconsistent with the resource adequacy supplier’s bidding obligations and appear to be specifically designed to avoid relying on such speculative supply to meet its reliability needs.

Powerex strongly supports CAISO’s efforts to strengthen the rules for import resource adequacy as part of the Resource Adequacy Enhancements stakeholder process to ensure that real physical capacity is committed to California on a forward basis and that this capacity can be expected to perform when called upon. Such improvements are critical to ensuring that CAISO is able to rely on import resource adequacy to meet its reliability needs, and to allow CAISO to maintain operational practices, including bid insertion rules, that are consistent with the capacity commitment made by sellers of import resource adequacy to the CAISO balancing authority area.