

**Comments of Powerex Corp. on
Resource Adequacy Enhancements
Final Proposal**

| Submitted by | Company | Date Submitted |
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Powerex appreciates the opportunity to submit comments on CAISO’s February 17, 2021 Resource Adequacy Enhancements Phase 1 Final Proposal (“Final Proposal”).

Powerex has consistently supported the CAISO’s efforts to develop and implement requirements for Import RA contracts to ensure that such contracts can be relied upon to serve CAISO load during the times of greatest need. Over the past year, and in various forums and proceedings, CAISO staff have worked collaboratively with stakeholders and also with CPUC staff to identify and refine the measures that can best achieve this objective, and hence strengthen the reliability of the CAISO grid. Powerex commends the CAISO for its extensive efforts and continued engagement.

Powerex believes the CAISO’s December 17, 2020 Phase 1 Draft Final Proposal contains an effective and workable set of measures that materially advance all of these objectives. In particular, Powerex believes the Draft Final Proposal satisfies multiple objectives and interests, including:

- Ensuring RA is procured in a cost-effective manner;
- Ensuring that participation in meeting RA needs is open to the maximum possible participation of entities with real physical, deliverable supply; and
- Ensuring RA contracts can be relied upon to contribute to reliability during periods of greatest need.

Given the broad recognition and immediacy of California’s RA and reliability-related challenges, it is regrettable that the Import RA measures have been deferred in the Final Proposal from “Phase 1” to “Phase 2b,” and targeted to be implemented for RA compliance year 2023. This delay means that the measures needed to protect the CAISO grid from reliability risks associated with paper capacity will not be in place during the critical summer period of 2021 or 2022.

Powerex remains very concerned that California load-serving entities (“LSEs”) may have met—and will continue to be able to meet—their RA requirements by contracting for energy imports with marketers that have not secured any underlying supply and/or the means to deliver it to serve load in the CAISO BAA. This behavior is likely to result in failures to deliver energy to the CAISO grid in critical hours when the broader West experiences challenging conditions and the seller is unable to acquire energy in the short-term bilateral markets to meet its obligations. Notwithstanding that some contracts indeed reflected a true capacity commitment from identified resources with reliable transmission service, there should be no comfort taken from the performance of paper capacity contracts last summer, when fortuitous high hydro conditions and

late runoff in the Northwest enabled energy to be procured in the short-term markets during the summer months.

Following the events of last summer, load-serving entities in the region outside the CAISO BAA have already taken steps to strengthen forward contracts to ensure reliability, including by taking many of the steps included in the Draft Final Proposal. Unfortunately, forward contracts under California's RA program appear to have fallen behind in adopting similarly robust measures, and the Final Proposal would defer requiring such measures for another two years. Powerex believes it is not appropriate for either the CAISO or the CPUC to continue to enable Import RA contracts to be executed and accepted without a demonstration of real, identifiable physical generation that is surplus to the needs of the host BAA, has not been sold multiple times, and will be deliverable when needed.

Powerex understands there are challenges to CAISO implementing RA requirements ahead of the CPUC making corresponding changes to the elements of the RA program under its jurisdiction. But this does not support the deferral of all of the proposed measures until 2023 (or later). In particular, Powerex opposes delaying the requirement for an attestation regarding underlying supply, or the requirement to submit a day-ahead e-Tag in order for the contracted supply to be available to the CAISO on reliable transmission service. These requirements can—and in Powerex's view, should—be fully implemented for all Import RA contracts for 2022. And while many of the Import RA contracts for 2021 have likely already been executed, the CAISO can at least request to know whether sellers are able to attest that these executed contracts are for real, identifiable physical supply that is surplus, has not been committed multiple times to other entities or regions, and will be deliverable on reliable transmission.

Some sellers of executed Import RA contracts are likely able to provide such an attestation, or may have already provided one within their contracts, consistent with forward contracting practices elsewhere in the west. But there is clear value to the CAISO knowing the extent to which sellers of Import RA contracts for this summer are either unwilling or unable to provide this type of attestation. Such information can help the CAISO evaluate the extent to which Import RA contracts can be relied upon to perform even during periods of region-wide challenging conditions. Such information will also help inform the CAISO on whether any additional actions may be necessary to support reliability. Even though there may be limitations on the ability to change the Import RA contracts for Summer 2021, it is far better for the CAISO to at least be informed of the potential risk of non-performance in advance, when there is still the potential for additional action to ensure reliability, rather than when the contracts are relied upon to perform in critical hours. Having recognized and articulated the risks associated with a range of paper capacity Import RA contracts, it seems prudent for the CAISO to increase its situational awareness of these risks.

Powerex therefore encourages the CAISO to:

1. Modify its business practices to require all Import RA resources to submit an e-Tag by 9 a.m., with a transmission profile at least equal to the contracted RA quantity;
2. Require all Scheduling Coordinators submitting Import RA contracts in the month-ahead showings to:

- a. Confirm the specific underlying physical resource or group of resources supporting the contract, or, in the alternative, confirm that the seller of the contract is unwilling or unable to do so.
 - b. Confirm that the applicable seller attests that the committed physical capacity is expected to be surplus to the needs of the host BAA, or, in the alternative, state that the seller is unwilling to provide such attestation;
 - c. Confirm that the applicable seller attests that the committed physical capacity has not been and will not be committed for any other purpose, or, in the alternative, state that the seller is unwilling to provide such attestation; and
 - d. Confirm whether the Import RA contract requires energy to be delivered on Firm transmission on the final delivery segment, and on either Firm or Non-Firm Monthly transmission on all other segments.
3. Publish aggregate data on the quantity (MW) of Import RA contracts providing (or unable to provide) the above confirmations. It may be beneficial to provide these aggregate quantities by month, and perhaps separately for availability assessment hour and for other hours.

Powerex believes the above will provide actionable information to the CAISO regarding the potential performance risk of Import RA contracts prior to implementing the proposed enhancements. In the event that the CAISO determines additional steps are necessary to ensure reliability in 2021, the above information will also provide greater transparency to stakeholders regarding the need for such actions by the CAISO. This should be followed by the full implementation of the Draft Final Proposal measures for Import RA for 2022.