



# Resource Capacity Accreditation (RCA) in the Forward Capacity Market (FCM)

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*Discussion on the ISO's preferred option for  
proceeding with RCA for the 2028-29 Capacity  
Commitment Period*

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# Introduction

- At the June PC and July and August MC meetings, the ISO reviewed the objectives and considerations regarding whether RCA should be included in Capacity Commitment Period 19 (CCP 19) and sought stakeholder feedback
- The focus of this presentation is to discuss ISO's proposed approach to moving forward with RCA for CCP 19

# Considerations for RCA for CCP 19

At the August MC meeting, the ISO enumerated the following options:

- Option 1: Proceed with FCA 19 for CCP 19 as scheduled under currently-approved\* market rules, without RCA
- Option 2: Implement RCA for FCA 19 for CCP 19, with the auction held in 2026 instead of February 2025
- Option 2A: Plan to implement RCA for FCA 19 for CCP 19, with the auction held in 2026; by no later than early Q3 2024 decide whether to implement prompt auctions starting with CCP 19 in early 2028; with continued discussions beginning in late 2024 on implementing as prompt/seasonal auctions starting in early 2028
- Option 3: Implement RCA for CCP 19 with a prompt/seasonal auction running in early 2028 instead of February 2025

\*The ISO has other CCP 19-related projects underway that would be incorporated as part of this option (e.g., FCM retirement reforms; Net CONE updates related to MOPR)

# ISO's Recommendation is to Proceed with Option 2A

- Prepare to implement RCA for CCP 19 with the auction delayed to 2026, while continuing to evaluate plans for moving to prompt and then seasonal auctions for CCP 19 and beyond
  1. Prepare proposed schedule to delay FCA 19 implementation by one year (the focus of the bulk of this presentation)
  2. Continue design discussions for RCA implementation
  3. Continue assessing whether to develop a proposal for a prompt auction for CCP 19
    - Target Q1 2024 to decide whether to develop proposal for prompt auctions starting with CCP 19 in early 2028
      - Continue discussions later in 2024 on developing proposal for implementing prompt/seasonal auctions starting in early 2028
- The ISO would operationalize this by making an **initial filing** to FERC by the end of the year suspending the current timing for FCA 19, while including a backstop schedule for FCA 19 that is delayed by one year
  - The filing would indicate that the ISO would make a **second filing** in Q2/Q3 2024, after additional stakeholder discussion, either with:
    - Additional tariff changes needed to effectuate a one-year delay (this option would currently be expected to include the RCA design); or
    - A new schedule to effectuate a prompt capacity auction for CCP 19 in 2028 (detailed design would follow)

# Recommendation *for CCP 19*

	2023		2024				2025				2026				2027				2028				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Option 2A: Plan to implement RCA for FCA 19 for CCP19, with the auction held in 2026; in Q3 2024 decide whether to implement a prompt auction running in early 2028 with continued discussions in 2024-2026 on implementing it as a prompt/seasonal auction running in early 2028		Stakeholder Process on FCA 19 Timing	Decide whether to proceed with prompt auctions				Pre-Auction Processes				FCA											CCP	
Schedule shifts if we decide to proceed with prompt auctions		Stakeholder Process on FCA 19 Delay	Decide to proceed with prompt auctions														Pre-Auction Processes				CA		CCP

- There will be ongoing discussions with stakeholders on the development of RCA and the development of a prompt and/or seasonal auction proposal

# Rationale for Recommending Option 2A

- This option emerged as a result of stakeholder discussions and represents a workable ‘hybrid’ between Options 2 and 3
- ISO’s proposed phased filings with the FERC minimize regulatory risk and uncertainty
  - In each of these filings, the ISO will include backstop provisions to describe how we would return to a forward construct, if such became required
- Option 2A provides stakeholders with additional time to continue developing and planning for the implementation of RCA, and to consider the key considerations of prompt and/or seasonal designs
- Recognizes the importance of simultaneously implementing a revised capacity accreditation framework that coincides with the elimination of the minimum offer price rule (MOPR) for FCA 19
  - The ISO explained in that filing the importance of timing both projects for FCA 19 to prevent potential risks to reliability and promote competitive outcomes
    - For example, large quantities of short-duration storage resources have entered the interconnection queue
      - Important to properly quantify reliability value
      - Important that proposed resources understand their expected accreditation approach

# Rationale for Recommending Option 2A, cont.

- Option 2A allows for timely assessment of the increasing importance of seasonality in the region
- Several technologies perform differently in the summer and winter; this option to further assess a seasonal capacity market in conjunction with RCA positions the region to be better prepared to capture this dynamic – e.g. before the system transitions to a winter peaking system later this decade
  - May further ensure that resources are not over or under credited for their seasonal performance
  - This option also preserves the potential to further enhance fuel constraint modeling with seasonal differentiations
- While some stakeholders prefer maintaining the status quo (FCA 19 without RCA), the ISO is concerned it may not adequately prepare the region for the changing resource mix and expected clean energy system as well as the additional review and discussion allowed by Option 2A

# FCA 19 One Year Delay





# FCA 19 One Year Delay – Highlights

- Qualification and auction activities would be delayed by exactly one year
  - Uses the timeline that would have been used for FCA 20 with the 3+ year forward period
- One Annual Reconfiguration Auction would be eliminated for CCP 19
- Qualification activities will use the most recent information
  - E.g. Existing Generating Resource qualification will be based on the most recent seasonal claimed capabilities at the time that qualification is conducted
  - In general, this approach aligns with the existing Tariff language and with the existing implementation in ISO systems (Forward Capacity Tracking System)
- Installed Capacity Requirement calculation will use the most recent forecasting information available when the calculations are performed
- Time-value calculations (e.g. CONE) would recognize the shortened forward timeline

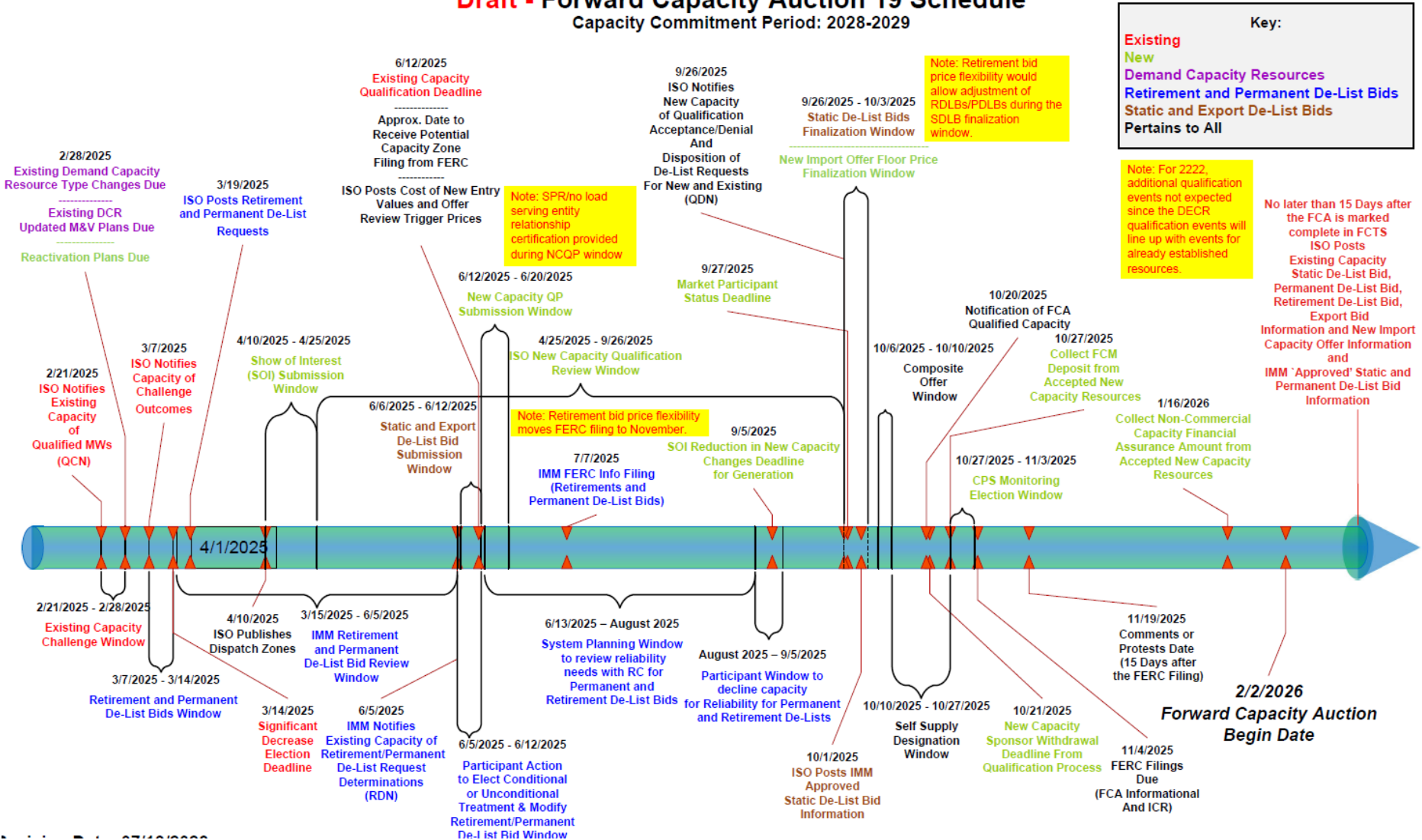


# FCA 19 One Year Delay – Approach

- The ISO will prepare Tariff redlines that are focused on the schedule for delaying the FCA 19 timeline by one year
  - Will also address the timeline for holding future FCAs to return to the three-year forward schedule
- The ISO has not identified any significant design issues that would need to be resolved now in association with the one-year delay, using the current FCM design
  - Note that qualification activities do not actually begin until 2025, allowing time to address any issues that come to our attention in the meantime
  - Changes will continue to be discussed in the context of adding RCA to the qualification schedule
- Some stakeholders have asked about the interconnection process for new generators
  - The ISO will be discussing this in the coming months at the Transmission Committee in the context of our compliance with the recent FERC Order 2023 - Improvements to Generator Interconnection Procedures and Agreements

# Timeline for FCA 19 Cycle with One Year Delay

## Draft - Forward Capacity Auction 19 Schedule Capacity Commitment Period: 2028-2029



# Next Steps

- The ISO will present Tariff redlines at the October MC, in preparation for a filing at FERC in December on suspending the current timing for FCA 19



# Stakeholder Schedule

Stakeholder Committee and Date	Scheduled Project Milestone
<b>Markets Committee</b> <b>September 12-13, 2023</b>	Introduction
<b>Markets Committee</b> <b>October 11-12, 2023</b>	Review proposed Market Rule 1 revisions
<b>Markets Committee</b> <b>November 7-8, 2023</b>	Vote
<b>Participants Committee</b> <b>December 7, 2023</b>	Vote

# Questions



# Appendix



# Considerations for RCA for CCP 19

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- In each of the options, the start of CCP 19 remains the same. The timing of the pre-auction processes and auction varies
- For each option, there will be ongoing discussions with stakeholders on the development of RCA and in some instances the development of a prompt/seasonal auction proposal too



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