

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on April 13, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on May 4, 2016.

Background

Bonneville Power Administration (BPA) appreciates the opportunity to be a stakeholder in the Regional Resource Adequacy (RA) process, and to provide comments on the recent Straw Proposal. Several of the Public Utilities BPA serves as a Federal wholesale power marketing agency are located in PacifiCorp's East and West Balancing Authority Areas. Bonneville customer loads in the PacifiCorp East and West balancing areas amount to about 650 MW of annual average load. At the estimated time of PacifiCorp's transition to a PTO, BPA will serve some of these loads with transmission over PacifiCorp's system secured by Network Integration Transmission Service Agreements with PacifiCorp for Network Transmission, and others by Legacy Transmission Agreements. As such, the outcome of the Regional RA process is of direct importance to BPA and its public utility customers located in the PacifiCorp balancing authorities.

General Comments

LSE Identification

First, BPA would like to commend the CAISO in responding to comments posed earlier in the stakeholder process. The Revised Straw Proposal indeed contains greater detail, and gives stakeholders necessary information with which to plan for interacting with an RA framework. One good example of this is the Regional RA Analysis section of the paper, which gives a set of concrete numbers, and application of a methodology, which is helpful. However, BPA has a few general concerns about the 13 LSEs embedded in PAC's BAs that were excluded from the analysis, according to the first paragraph on page 50 of the Revised Straw Proposal. Specifically:

- Can the ISO elaborate on what entities comprise these 13 LSEs, and why their load was left out of the initial analysis?
- Were resources belonging to these LSEs also left out? Will including the loads and/or resources of these 13 LSEs materially alter the results posed in the Straw Proposal?

Transmission-Dependent Utilities

There are many aspects of this RA framework which will make load service operationally difficult, costly or both for LSEs which depend heavily on high voltage transmission to bring resources to load. MIC, Local Capacity Area Resource Requirement, and Zonal RA are all examples of this. Transmission-dependent utilities not only serve the majority of load with off-system resources, but carry reserves off-system as well. How will the CAISO treat such LSEs in this RA framework?

Local Regulatory Authority and Planning Reserve Margin

The CAISO's stated goal has been to establish an RA Framework which gives LRAs and LSEs the flexibility to maintain their current capacity procurement programs, while ensuring sufficient capacity is offered into the market to serve load reliably. There are two instances where it seems this flexibility is proposed in name only, and not in practice.

First, as BPA commented in the first round of this stakeholder initiative, the ISO proposes that each Local Regulatory Authority (LRA) can maintain its own Planning Reserve Margin under this framework, and as long as the system reaches a certain "System PRM", no shortfall will be detected. However, if shortfalls are detected, short LSEs will be asked to increase their RA procurement, and eventually the ISO will use backstop procurement authority. BPA understands the need to prevent leaning, but in essence, this reduces an LRA's ability to set its own planning reserves. BPA asks that the ISO reconcile the disconnect between LRA PRM flexibility and the desire to prevent leaning.

Second, with regard to load forecasts, the ISO, under its Reasonableness Review and ISO Adjustment Authority, maintains the right to review and adjust an LSE's load forecast. This could have serious implications for a number of RA-related calculations, including PRM, MIC Allocation, etc... If after-the-fact, observed loads reveal that the ISO's adjustment was incorrect, and that the initial load forecast submitted was closer to the observed loads, are there make-whole provisions for any adverse effects of the adjustment on the LSE?

Specific Comments

1. Load Forecasting

- How would the ISO adjust the PRM used in the Reliability Assessment if an LSE wants to use a methodology more stringent than a 1 in 2 forecast?

- When CAISO establishes suggested criteria for load forecasting, it is important to recognize that one forecasting methodology does not fit all. BPA supports the ability of an LSE to create its own load forecast. However BPA does not see anything wrong with the CAISO establishing a set of suggested criteria for load forecasting, as long as the criterion isn't binding.
- BPA supports the ability to update load forecasts on a monthly basis.

2. Maximum Import Capability

Has the CAISO observed or considered the possibility that the highest import days may not happen when load is greater than 90%? Weather conditions, market conditions, and unit outages could cause higher imports at time when load is less than 90%. The MIC amount should be set based on the maximum import at any time, regardless of the load percentage. In the proposed language change to the MIC calculation, please clarify whether the highest total import level is based on scheduled or actual flows. Also, how are capacity tags and dynamic tags treated in the MIC calculation?

The concept of "branch groups" is unclear in the straw proposal. Please provide more information on what branch groups are. How are new branch groups to the ISO determined? Once set, are the boundaries able to move?

The proposed MIC calculation proposes to modify the current language in the Reliability Requirements BPM, removing the reference to the CAISO's load to "90% of the annual peak load for each relevant simultaneously constrained part of the grid." CAISO Regional Resource Adequacy Revised Straw Proposal, April 13, 2016 (Revised Straw Proposal), p. 26. What is the definition of "simultaneously constrained part of the grid"? Is this meant to refer to the same concept as the "zones" the CAISO is proposing in section 5.3 of the Revised Straw Proposal? If so, the CAISO should add a reference to the zones in the sentence. If not, the CAISO should provide more detail as to what is meant by the phrase "simultaneously constrained part of the grid."

In Step 4 of the MIC calculation, BPA is concerned about seasonal timing of the peak that is used to assign the pre-RA MW amounts. The 90% load figure is likely to mean the peak will occur during the summer, when California and PacifiCorp experience their peaks. However, other utilities, including some of BPA's customers, have winter peaks. Setting the pre-RA amount based on a summer amount might have the effect of constraining a winter peaker's MIC to below its system peak.

How will the cut-off date be established for Pre-RA Commitments? Is there a methodology, or will stakeholders have an opportunity to participate in its development?

3. Internal RA Transfer Capability Constraints

In general, BPA would like to see more detail regarding the interaction between the MIC calculation and the Zonal RA construct. There is an intervening BA and Transmission Provider (Idaho Power Company) in between PAC's two BAs. While BPA serves public utility customers

in both BAs, Federal generation is much closer to the PacifiCorp West BA. BPA would like to understand how the MIC calculation would play out in this type of situation.

The Internal RA Transfer Capability proposal determines the Zonal Import Limit for PAC's BAs. The two components of this calculation are the MIC (discussed above) plus the "internal transfer limits" which is defined as "the total of any internal transfer limits into the specified zone." Revised Straw Proposal, p. 27. How is the "internal transfer limit" proposed to be calculated? In addition, what protections will be provided to ensure that existing users that must import capacity to the zone will be able to continue to count such capacity in the zonal RA? The MIC's 13-step process ensures that existing users of the interties will be able to continue to count capacity that was previously imported into the zone. Will a similar "13 step" process be used to allocate "internal transfer" capability between zones?

4. Allocating RA Requirements to LRAs/LSEs

5. Updating ISO Tariff Language to be More Generic

6. Reliability Assessment

a. Planning Reserve Margin

Has the CAISO considered using monthly PRM values? It may not be prudent to assume that the same amount of reserves are needed in May as are needed in August or December based on unusual weather events and forced outage rates. This is especially true when the supply stack shifts due to water conditions throughout the year. A growing hydro stack pushes thermal units off the margin, effectively expanding supply and limiting the impact of forced outages. Flexible Capacity is calculated on a monthly basis, and BPA recommends that PRM be calculated on a monthly basis as well. For instance, requiring PAC to carry over 1,000 additional MWs of PRM for an 8,000 MW load seems high by industry standards.

b. Uniform Counting Methodologies

The Revised Straw Proposal lists a number of methods for assessing the capacity value of resources that can be applied to the ISO reliability needs. Revised Straw Proposal, p. 36. The methods all presume the purchaser owns the resource supplying the RA capacity. How are power sales contracts or WSPP agreements that do not list specific resources treated? Can these be counted toward the RA value? If not, why not?

While BPA supports maintaining uniform counting methodologies for resources, using historical data to determine the capacity of a run of river hydro project may have some complications. The Straw Proposal calls for the use of a rolling three-year average for these projects, but the capacity of run of river hydro is determined by the amount of precipitation during a given year, which varies significantly from one year to another. To have more stable capacity numbers for run of river hydro, it would probably be prudent to use a larger historical data set.

c. Backstop Procurement Authority**7. Other**

Today, LSEs in PAC's BAs are meeting their respective load obligations using existing resources and are doing so consistent with existing requirements. However, if PAC becomes a PTO, the RA Straw Proposal would appear to place a number of new capacity obligations on Scheduling Coordinators/LSEs within PAC's BAs. BPA is concerned that the RA proposal will force certain utilities into a market that will require them to carry significantly more resources than they were previously required to carry, which will be costly for those utilities and their customers. BPA, therefore, recommends that the CAISO grandfather current service arrangements and apply the RA proposal on a prospective basis only.

Please explain how PacifiCorp's ramping needs are decreased by combining the two BAAs as described in pages 55 thru 60. Based on resource stacks and current ramping needs it is hard to determine how a combined system benefits PacifiCorp. More detail would be greatly appreciated.

The ISO uses Operating Reserves Requirements in its Building Block example, but more broadly, how are ancillary services rights treated in the PRM? Also, does the CAISO tariff transfer ancillary services obligations from the PTO to the load under the PRM of the RA Standard?