

## 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 Third Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on September 29, 2016. Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **October 27, 2016**.

Please provide feedback on the Regional RA Third Revised Straw Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.

#### **Background**

Bonneville Power Administration (Bonneville) appreciates the opportunity to be a stakeholder in the Regional Resource Adequacy (RA) process, and to provide comments on the third revised Straw Proposal.

Bonneville is a federal power marketing agency within the United States of America, Department of Energy, which markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest. Whenever requested, Bonneville is required by statute to sell wholesale power to meet the firm power requirements of certain utility and federal agency customers in the Pacific Northwest. 16 U.S.C. § 832c (2014); 16 U.S.C. § 839c(b) (2014). Bonneville is governed by and must operate according to various federal statutes, including the Bonneville Project Act, 16 U.S.C. §§ 832-832l (2014), the Pacific Northwest Consumer Power Preference Act, 16 U.S.C. §§ 837-837h (2014), the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §§ 839-839h (2014), and the Federal Columbia River Transmission System Act of 1974, 16 U.S.C. §§ 838-838k (2014), among others.

Several of the Public Utilities Bonneville 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, Bonneville will serve these loads either with transmission over PacifiCorp’s system secured by Network Integration Transmission Service Agreements with PacifiCorp for Network Transmission, or by Legacy Transmission Agreements. As such, the outcome of the Regional RA process is of direct importance to Bonneville and the public utility customers Bonneville serves.

## Comments

### Premature to Establish Regional RA Rules:

As Bonneville has commented before and reiterates here, the CAISO should finalize and implement the governance structure for a regional ISO before moving ahead on any of the stakeholder initiatives regarding regional expansion that are currently in process (*e.g.* RA, TAC, GHG). Bonneville recognizes that progress has been made on regional ISO governance, but a final governance proposal is at least months away and will likely come after this Regional RA Initiative is finalized and accepted by the existing CAISO Board and filed at FERC. Bonneville believes that both the Regional RA and TAC proposals would look materially different from their current forms if they were being developed and submitted through a regional governance process and then finalized. The regional RA and TAC processes should be put on hold until the ISO governance structure is determined and the governing bodies are fully established.

### General Comments on RA Policy Principles

To the extent the CAISO continues to develop the regional RA proposal without a regional board, Bonneville does not support the CAISO’s Regional RA Proposal in its current form. Fundamentally, Bonneville is concerned that the CAISO is developing the Regional RA requirement without giving enough consideration to regions outside of California. The ISO’s policy principles for the RA illustrate Bonneville’s concern. In the Third Revised Straw Proposal, the CAISO states that the first of its main principles governing its RA proposal is to “only change those tariff provisions that require modification to make RA work in the context of an expanded BAA that spans multiple states” This policy principle focuses on the needs of the CAISO and its customers but fails to address the needs of transmission customers outside of the CAISO.

The CAISO tariff and its use of Maximum Import Capability (MIC) was designed for a pre-OATT world where the primary Local Regulatory Authority had required the divestiture of most resources by the merchants of the participating transmission owners. Any new participating transmission owners in a Western ISO will have provided many years of transmission in accordance with the pro-forma tariff established by FERC under Orders 888 and 890. Many LSEs receiving service on transmission provided throughout the contemplated footprint of the Western ISO have established relationships with external generation using long term transmission and associated rollover rights. The current CAISO proposal to abrogate these

historic relationships in a non-voluntary manner demonstrates the need for a new governance structure that is more sensitive to the needs of the area the CAISO proposes to serve. PacifiCorp itself relies heavily on third-party transmission, and presumably the associated rollover rights in order to reliably serve its customers on a long-term basis.

As explained more fully in this comment, Bonneville urges the ISO to develop the regional RA standards such that they are compatible with existing practices in the broader region, not conflicting with them. While the concept of a formalistic RA requirement is new to the Pacific Northwest, reliable load service is not. Utilities have been meeting their obligations to reliably plan for and meet their loads for decades, through cooperative planning, regional partnerships, and individual resource assessments. The ISO should acknowledge the success that already exists in the Pacific Northwest and other regions and not seek to impose a one-size-fits all RA requirement that ignores the fact that loads have been, and continue to be, served reliably under the existing contractual and resource structure. This principle should be a foundational element of the Regional RA and be added to the ISO's directional policy principles. Furthermore, Bonneville seeks clarification on why a Regional RA structure involving several LRAs with differing requirements is not being considered by the CAISO. It seems that this is exactly the situation currently in California.

#### LRA Autonomy:

The current Regional RA proposal removes a great deal of the flexibility and autonomy afforded to the Local Regulatory Authority (LRA) that is currently in the ISO Tariff, and has been in place for at least 10 years. Specifically, under the current proposal, LRAs will no longer have the ability to plan for and meet load service obligations within the policy guidelines and statutory frameworks of their jurisdictions. This means jurisdictions will no longer set their own Planning Reserve Margins, set their own rules for counting the capacity from their own resources, or to decide whether and how to count Firm LD contracts for RA. Bonneville cannot violate its statutes and raise costs for Bonneville customers simply because some of its loads reside in a BAA that chose to become a PTO. Accounting for different PRM levels is not a new process for the CAISO, and presumably the CAISO has built systems and processes to manage these differences. Therefore, a universal PRM could be seen as an effort by the CAISO to assert jurisdiction over equity issues and to force other regions into adopting the CAISO's planning assumptions, when in fact LRAs have been acquiring responsibly and operating reliably under different "PRMs" for many years. Bonneville believes that the CAISO can and should maintain reliability within its BAA and it already has the backstop acquisition authority to do so.

Maintaining the flexibility provided to LRAs currently in the Tariff is very important because it allows recognition and accounting for policy and statutory differences among the group of entities that are LRAs now, or could be LRAs within the broader region. Those specific flexibilities mentioned above in the current ISO Tariff are of critical importance to Bonneville in its obligation to provide load service within the bounds of its statutory and contractual construct. Bonneville urges the CAISO not to restrict the LRA flexibility in any way.

#### Requirements Contracts:

As a matter of statute, entities with Northwest preference have a right to request power from Bonneville to serve their load. Currently, Bonneville serves most of its customers' power requirements under long-term power sales contracts that extend through 2028. Statute confers upon Bonneville the perpetual obligation to offer its customers contracts for the sale of federal power to meet their full requirement, so in 2028, customers will be able to enter into subsequent power sales contracts to serve their power requirements. Under most of the current power sales contracts, Bonneville serves the full load needs of its customers, including the hour-to-hour variations, along with any load growth. Bonneville also serves the moment to moment variations of customers located in its BAA and has contracted for such services from the local transmission provider for its loads in other BAAs for more than 50 years.

As stated above, some of Bonneville's customers are located in PacifiCorp's BAA and other EIM Entity BAAs. Bonneville relies on third-party transmission service, including transmission acquired on PacifiCorp's system, for federal power to be delivered to our customers' loads. These loads have been served for decades through requirements type contracts and there are no issues of leaning or imposing a burden on others. If PacifiCorp becomes a PTO, the proposal discussed to date would result in most of the service Bonneville currently receives from PacifiCorp being abrogated and forcibly converted to ISO service. In order for Bonneville to meet its statutory and contractual obligations to serve its customers under this scenario, Bonneville will face the various ISO rules, including the RA rules. However, Bonneville can find no language in the current ISO Tariff, or in the Regional RA proposal, that would recognize a requirements contract, like the contracts under which Bonneville serves its customers. Bonneville urges the ISO add language to its Regional RA proposal allowing LSEs to use full requirements contracts to meet the RA requirements established by their respective LRAs.

#### Backstop Procurement:

Bonneville understands the need for the ISO itself to have the authority to procure backstop capacity on behalf of its Balancing Authority Area in the event of forecasted reliability concerns. However, CAISO should only use its backstop acquisition authority for reliability purposes and not attempt to expand that authority to solve equity issues that are the jurisdiction of other entities. Leaning, or any other type of equity concern, should be dealt with using other means, and not with backstop procurement.

#### Reliability Assessment:

(Insert PG comments here.)

#### MIC:

- Bonneville recommends that the cutoff date for Pre-RA Commitments should be specific to each new PTO. It is logical that this would be the date each PTO officially joined the ISO.

- Bonneville supports the ISO’s proposal to modify the MIC process, limiting the initial allocations of MIC to the LSEs serving load within new sub-regional TAC areas. This seems equitable, intuitive, and seems in line with the original concept of MIC, and its reason for being in the CAISO Tariff.
- Bonneville also supports the ISO’s proposal regarding clarification of import resources for RA.