

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 Straw Proposal for the Regional Resource Adequacy initiative that was posted on February 23, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **March 16, 2016**.

Please provide feedback on the Regional RA Straw Proposal topics:

1. Load Forecasting

The straw proposal states, “ISO proposes that the coincident system load forecast for an expanded BAA would be created each year by the ISO based on load forecast data created by and submitted by LSEs. The ISO is not proposing to change the manner in which load forecasts are developed for LSEs, and envisions that existing methods and arrangements would continue to be used. For example, the California Energy Commission (“CEC”) would continue to determine the load forecast for LSEs in the existing ISO BAA and entities outside of the current BAA would create their own load forecasts and submit those forecasts to the ISO. The ISO would calculate the coincidence factor and determine the allocation of the coincident load to each LSE in the BAA”.

Comment: CDWR supports keeping CEC’s role on demand forecast unchanged for the entities within current CAISO BAA. CDWR would like to reiterate that forecasting methodology adopted by CDWR based on its actual operations is a part of LRA RA program and should not be impacted by any standardized methods of forecasting used for retail loads, as currently, CDWR forecasts its most likely coincident peak load and provides to CEC. CDWR’s power forecasts are driven by water supply and demand (and other factors such as environmental constraints), and most likely demand in real time would be the forecast as close to the month as possible. Any method prescribed for standardized demand forecast that does not support the nature of CDWR’s pumping operations will result in higher inaccuracies and inefficiencies.

Please clarify if CAISO will calculate the coincidence factor and determine the allocation of the coincident load only to each LSE not covered by CEC forecast.

According to the proposal, ISO intends to review demand forecast and compare with actual demand for entities. Does this apply to all entities or just the entities for which ISO will generate forecast (beyond CEC's jurisdiction)?

2. **Maximum Import Capability Methodology**

The ISO proposes to revise the existing methodology used to calculate the Maximum Import Capability ("MIC") MW values to reflect the different peak time periods in which non-coincident peaking areas without commonly known constraints experience their own maximum simultaneous imports.

Comment: Pre-existing contractual obligations should be treated as they are treated today.

3. **Internal RA Transfer Capability Constraints**

The ISO proposes to add maximum RA transfer limits between different areas of the expanded BAA to ensure reliable operation of the grid by limiting the transfers of RA resources between internal areas. The ISO will build on the methodology that is currently being used to address the "Path 26 transfer capability constraint."

Comment: CDWR will provide comments when the details are available on the proposal.

4. **Allocation of RA Requirements to LRAs/LSEs**

The ISO tariff currently requires the ISO to allocate local and flexible capacity requirements to LRAs. The ISO proposes to modify the tariff so that the ISO will directly submit to LRAs their allocation of local and flexible capacity requirements so that they can allocate such requirements to their jurisdictional LSEs. If an LRA does not want to receive the allocations, the ISO would allocate the requirements directly to the LSEs.

Comment: Allocation to LSEs with LRA's consent is reasonable.

5. **Updating ISO Tariff Language to be More Generic**

The ISO proposes to make the ISO tariff language more generic to accommodate additional entities by using more universal language than the terms currently in use. The ISO will also specify the existence of multiple time zones in an expanded BAA. The intent of this item is to avoid creating any unintentional barriers or consequences associated with the California-centric language that is currently used.

Comment: Changing the tariff to make it more generic should not impact the existing LRA RA programs.

6. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

To do the reliability assessment, the ISO proposes to use a system Planning Reserve Margin (“PRM”) that would be established through a study conducted under a stakeholder process, with the study updated when significant changes occur to the ISO’s BAA.

Comment:

LRAs operating within the current CAISO footprint have been designating their own PRMs for nearly a decade, since the CAISO RA program was first accepted by FERC. There is no reason to suppose that new LRAs would be any less responsible than the LRAs CAISO has worked with for many years. There is no reason to infringe on the jurisdiction of any LRA, whether new to the CAISO BAA or not, based on a supposition.

- i) If, by using the proposed PRM methodology, CAISO determines that RA resource availability is higher than what is required with the system wide single PRM, would that lower the RA obligation to all LRAs on a pro-rata basis?
- ii) Provide an example of how an LRA/LSE would have shortfall in its RA requirement as determined by ISO based on a system-wide standard PRM. Also provide an example how LSE would be given opportunity to cure the shortfall and how ISO would perform the backstop and allocate costs to LSEs based on PRM differences between the LRA and the ISO determined system-wide standard PRM.
- iii) If an LRA must comply with the new PRM requirement in the event of a system-wide shortfall in capacity, how is the policy objective that an LRA’s authority to designate its own PRM preserved?
- iv) What mechanism will be established to determine that a shortfall in capacity (in reliability assessment) is due to a lower PRM set by an LRA?

b. Resource Counting Methodologies for Reliability Assessment

According to the straw proposal, ISO would also develop consistent counting methodologies for the amount of MWs that each type of resource could qualify for, which would be used in the reliability assessment to assess how well the resources that are provided to the ISO meet reliability needs. The reliability assessment will look at the total amount of RA resources provided and assess whether the RA capacity collectively provided is sufficient to meet reliability needs.

Comment: LRAs operating within the current CAISO footprint have been establishing their own resource counting criteria for nearly a decade, since the CAISO RA program was first accepted by FERC. There has been no demonstrated evidence that LRA counting criteria and designation of RA capacity based on such criteria (incentivized by RAAIM) is not effective

today. If ISO believes there may be capacity shortfall due to resource counting criteria differences, how does ISO assess those differences?

If resource counting criteria adopted by LRAs is not effective and RA capacity is designated based on that criteria, the Resource Adequacy Availability Incentive Mechanism (RAAIM) will penalize such resources and incentivize such resources to be available. The purpose of RAAIM is to incentivize RA resources to be available and have LRA/LSE/Supplier to designate only the performing capacity for RA. Rather than creating a complex assessment process to determine deficiencies due to different counting criteria, why not rely on RAAIM that incentivizes resources to be available which is the end result of resource counting adopted by LRAs? Consideration should be given to determine if the RAAIM incentive is enough to address concerns due to the different counting criteria issue. For the resources that are RAAIM exempt, tracking availability and advising corrections to their criteria or RA capacity designation process may be a good option.

Other entities joining CAISO BAA could adopt the existing default tariff provisions for resource counting, if they desire.

Let RAAIM determine whether the LRA counting criterion is effective or not for a significant period (for example, 2 years after Regional RA go live) for assessment of counting criteria effectiveness. ISO could assess through RAAIM the availability of resources under each LRA criteria before making system-wide changes.

For example, if CAISO nevertheless proceeds with its proposal to develop its own resource counting criteria for its reliability assessment, then CAISO must avoid disrupting current California LSE RA planning (often supported by long term resource procurement arrangements and contracts), which is based on the counting criteria adopted by their respective LRAs. CAISO should consult with individual LRAs with existing RA programs in the development of any such criteria to determine impact on their programs. Where an LRA has adopted its own resource counting criteria and where there is no evidence of abuse, it would be an unnecessary infringement on LRA jurisdiction to allocate procurement responsibility based on CAISO tariff default criteria.

c. **ISO Backstop Procurement Authority for Reliability Assessment**

ISO proposes that LRAs and LSEs can establish their own PRM and resource counting rules; however, if different PRMs or counting rules are used there is a risk that minimum reliability needs may not be collectively met. The reliability assessment will mitigate the potential for inappropriate “leaning” on the RA requirements by individual LSEs. If the ISO identifies any shortfalls after considering all of the RA capacity provided, the ISO will provide LSEs an opportunity to cure the shortfall. If a shortfall still remains after the

opportunity to cure has passed, the ISO would have the ability to procure backstop capacity if needed and allocate costs to LSEs that are short.

Comment: There has been no demonstrated evidence that the LRAs counting criteria and designation of RA capacity based on such criteria (incentivized by RAAIM) is not effective today. If ISO must develop and use default counting criteria and compare the differences of default and LRA counting criteria for shortfall in reliability need, why not let the shortfall due to counting criteria differences (if at all) be addressed by a CPM significant event, unless it is a regular pattern? Such events should be rare if the LRA counting criteria are working today. CPM backstop events have been very low historically, and with the expanded BAA with more available capacity and diversity, such events could reduce further.

7. Other