

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.

Please provide feedback on the Regional RA Revised Straw Proposal topics:

GENERAL COMMENTS:

CLECA appreciates both the extension of the schedule, with a revised target date of August 31/September 1 for seeking the Board of Governors' approval, and the increased detail in the Regional Resource Adequacy Revised Straw Proposal (Revised Regional RA Straw Proposal). CLECA remains concerned, however, that the Revised Regional RA Straw Proposal may result in violations of California law specific to resource adequacy. These concerns are explained in more detail below in sections 5 and 6.b. CLECA also reiterates the call for establishment of the regional governance rules prior to the finalization and adoption of all of the market structure proposals, e.g., the Revised Regional RA Straw Proposal, the regional Transmission Access Charge, and the still-pending regional greenhouse gas proposal. Ideally, when considering the regional market structure proposals *in toto*, stakeholders would know the structure of the governing body that would ultimately approve the specifics of the proposals. Additional comments on the Revised Regional RA Straw Proposal are below.

1. Load Forecasting

The Stakeholder Comments and ISO Responses Matrix (Matrix) states that the process of allocations by the CPUC to its jurisdictional LSEs will be "similar" to the current process involving the CEC and that the LRA may, at its discretion, opt to have the CAISO perform the allocations.¹ This is positive; CLECA has recommended revisions to the current CPUC-CEC

¹ Stakeholder Comments and ISO Responses Matrix (Matrix), at 32-33.

process in the CPUC's RA docket; to the extent those are adopted by the CPUC, they should subsequently be incorporated here.²

The Coincidence Factor adjustment needs to be made using system wide peak for the BAA; this may be problematic. Indeed, several issues associated with the current Coincidence Factor adjustment by the CPUC and CEC are pending before the CPUC currently. For example, the existing CPUC-CEC process relies on weather-normalization with 4 years of load data and 20 years of weather data. If using weather normalized data as starting point, should weather normalized data for LSEs also be used? This issue is before CPUC now. As the Revised Regional RA Proposal is considering use of the current CPUC-CEC process for the Coincidence Factor adjustment, it should be informed by the CPUC's resolution of pending issues.³

The Revised Regional RA Straw Proposal also suggests consideration be given to the use of a new power coincidence system factor method to determine the coincidence factor.⁴ CLECA requests a comparative analysis be performed to inform this consideration. The analysis should show the results of this method for the current BAA and PacifiCorp. Did this proposed method come from another jurisdiction? Is it used anywhere else? What is its history and where did the idea to use it come from? Has it been successful in terms of enabling the prevention of shortfalls in resource adequacy, being accepted as fair and reasonable by the LSEs?

The Revised Regional RA Straw Proposal's reasonableness review of LSE's forecasts would be triggered by a 4% divergence threshold in an average year-over-year change in the previous three years of normalized peak load data.⁵ Using three years, however, may be problematic. SDG&E has raised the valid point that installation of behind-the-meter resources has been growing and changing the load curve dramatically. Additionally, over the course of the next several years, the load curve will also be impacted by new, retail time-of-use rates. Declining load growth in general may be expected, partly due to growth of distributed energy resources behind-the-meter and partly due to appliance saturation. Accordingly, it is reasonable to posit that the further back one goes, the less representative the historically-based forecast is. Three years may be too far back, with the significant changes currently ongoing. Additionally, there may be significant Community Choice Aggregation growth that could be very impactful on the individual LSEs' load shapes.

2. Maximum Import Capability

CLECA looks forward to examining the analyses of the application of the current MIC methodology to an expanded ISO footprint (including the current CAISO BAA plus PacifiCorp) and hopes to be able to provide comments on the MIC proposal after such examination.

² See Proposals of the California Large Energy Consumers Association on Revised Proposals for 2017 Resource Adequacy, in R. 14-10-010, dated January 15, 2016; see also Comments of the California Large Energy Consumers Association on Revised Proposals for 2017 Resource Adequacy, in R. 14-10-010, dated April 1, 2016.

³ Revised Regional RA Straw Proposal, at 15-16.

⁴ Revised Regional RA Straw Proposal, at 16.

⁵ Revised Regional RA Straw Proposal, at 16-17.

3. Internal RA Transfer Capability Constraints

CLECA supports – in concept – the zonal RA approach and the proposed four zones; however, more detail is needed to fully evaluate this aspect of the proposal.

4. Allocating RA Requirements to LRAs/LSEs

No comment beyond the comments above at this time.

5. Updating ISO Tariff Language to be More Generic

CLECA appreciates the reassurance that tariff language changes would only be made effective “as necessary to support the integration of a new Participating TO.”⁶ Not all stakeholders may agree, however, on what that “necessary” timing is. The tariff changes should be contingent upon a new Participating TO with the majority of its load outside the state of California joining the CAISO; the effective date of any tariff changes should be subsequent to or contemporaneous with the new Participating TO joining the CAISO. In CLECA’s view, “unintended barriers to other, non-California entities”⁷ that have not joined should NOT override the interests of the existing ratepayers, existing LRAs and existing Participating TOs. Moreover, certain sections of the CAISO’s tariff currently reflect California and federal mandates on collaboration between the CPUC and the CAISO regarding resource adequacy.⁸ These tariff sections should not be prematurely revised.

6. Reliability Assessment

a. Planning Reserve Margin

The Revised Regional RA Straw Proposal considers the use of a deterministic Planning Reserve Margin (PRM) versus a probabilistic PRM.⁹ This raises some questions: First, can the CAISO complete probabilistic analyses in a timely manner? This question is posed respectfully and informed by the difficulties experienced by SCE and CPUC staff in terms of performing such studies. One option may be to start with deterministic analysis and then switch over – would this be possible? What would be consequence of that switching? If the analysis has to exclude all non-firm imports and exports, what impact does this have? Since it is expected that California will increase its exports of renewables, is that exclusion a reasonable assumption? These questions should be addressed in the stakeholder process and in the next revision of the straw proposal.

⁶ Revised Regional RA Straw Proposal, at 11.

⁷ Matrix, at 33.

⁸ See, e.g., Tariff Section 40.4.5; see also Tariff Section 40.4.1.

⁹ Revised Regional RA Straw Proposal, at 30.

The Revised Regional RA Straw Proposal states that upon establishment of a minimum system PRM, RA zones can have different PRMs.¹⁰ CLECA can accept different PRMs for different zones ***IF*** supported by loss of load expectation analyses.

b. Uniform Counting Methodologies

CLECA continues to support *in concept* the use of consistent counting methodologies and backstop procurement if LSE resources prove to be inadequate, with an allocation to the LSEs that are short. However, as noted in prior comments, there have been misalignments between the CAISO and the CPUC on counting of preferred resources.¹¹ CLECA's position remains that counting methodologies **MUST** be collaboratively developed with the LRAs, and be consistent with statutory requirements.

The Revised Regional RA Straw Proposal references the use of P_{MAX} for thermal and nuclear and P_{MAX} for hydro plus historical. Does this imply perfect capacity? Table 6 shows that PJM and MISO use GE-MARS; this is a model used by the CAISO when the CPUC previously reviewed the PRM, around 2008. CLECA recalls that the results produced then by this model were highly controversial and that CPUC did not rely upon the model's results then. Has the GE-MARS model been improved? What kind of numbers has this model produced for the current CASIO BAA?

The Revised Regional RA Straw Proposal also refers to Public Utilities Code section 399.26(d), which requires the CPUC to use effective load carrying capacity (ELCC) methodology for determining the capacity of wind and solar resources for resource adequacy purposes. The statute states:

In order to maintain electric service reliability and to minimize the construction of fossil fuel electrical generation capacity to support the integration of intermittent renewable electrical generation into the electrical grid, by July 1, 2011, the commission shall determine the effective load carrying capacity of wind and solar energy resources on the California electrical grid. The commission shall use those effective load carrying capacity values in establishing the contribution of wind and solar energy resources toward meeting the resource adequacy requirements established pursuant to Section 380.¹²

While the Revised Regional RA Straw Proposal references ELCC and this statutory section, it makes no commitment to using ELCC, despite the Legislature's plain intent that it be used.¹³ CLECA acknowledges the obvious difficulties in developing this methodology, and indeed has

¹⁰ Revised Regional RA Straw Proposal, at 32; *see also* Matrix, at 39.

¹¹ *See* CLECA Comments on Regional RA Straw Proposal, dated March 16, 2016, at 5-6.

¹² P.U. Code section 399.26(d).

¹³ Revised Regional RA Straw Proposal, at 37-38 ("The ISO will consider this methodology for potential use in evaluating capacity values for wind and solar.")

recommended against premature use of an insufficiently-developed ELCC methodology.¹⁴ Regardless, the next iteration of the Revised Regional RA Straw Proposal should be clear on whether or not it will use the ELCC methodology, as mandated in California state law, once it is fully developed and ready for use.

The Revised Regional RA Straw Proposal also includes two options for uniform counting of storage resources integrated as NGRs: a four-hour test or the registered capacity value.¹⁵ It appears both would rely on a test for sustained output for four hours, the difference being who is conducting the test, the CAISO or the SC. For PDR, RDRR and participating load, in the text of the proposal, two counting options are proposed: either the historical method (using a three-year rolling average of demand reductions during the Availability Assessment Hours or compliance tests) or a registered capacity value (similar to the NGR option with a test of sustained output for four hours).¹⁶ It is not clear how relevant a three-year rolling average would be to DR resources that are newly in the CAISO's markets or that are changing over time. Furthermore, Table 7 lists a third counting option for demand response: "Class Average".¹⁷ What does this Class Average option mean? It is not discussed at all. More detail is needed on this third option for demand response.

Additionally, the performance criteria are "currently under development";¹⁸ stakeholders need to know what these are proposed to be to evaluate the proposal.

The Revised Regional RA Straw Proposal states, "The ISO believes it will simplify the counting of resources and establishing of individual NQC's for resources by developing a process **that will only utilize the ISO's proposed uniform counting methodologies** in establishing a resource's capacity value."¹⁹ CLECA has previously raised concerns regarding CAISO's required "collaboration with the LRA" in connection with the pending appeal of a Business Practice Manual proposed revisions request;²⁰ CLECA's concerns remain.

In addition, process irregularities in the ongoing Local Capacity Requirements initiative warrant noting here. The Local Capacity Requirements initiative feeds into the CPUC's RA docket; this interplay between the CAISO stakeholder initiative and CPUC proceeding should demonstrate the collaborative and cooperative manner that is required by federal law and state law.²¹ However, the CAISO's initiative has suffered from serious, troubling procedural and transparency mis-steps. First, the draft Local Capacity Studies were pulled from the website

¹⁴ See Comments of the California Large Energy Consumers Association on Revised Proposals for 2017 Resource Adequacy, in R. 14-10-010, dated April 1, 2016, at 3-10.

¹⁵ Revised Regional RA Straw Proposal at 39-40.

¹⁶ Revised Regional RA Straw Proposal, at 40.

¹⁷ Revised Regional RA Straw Proposal, at 41.

¹⁸ Id.

¹⁹ Revised Regional RA Straw Proposal, at 42 (emphasis added).

²⁰ See CLECA Comments on Regional RA Straw Proposal, dated March 1, 2016, at 5-6.

²¹ A 2008 FERC Order dictates collaboration with the Local Regulatory Authority on RA requirements. California Independent System Operator Corp., 122 FERC ¶ 61,017, 61,057-58 (2008); see also CAISO Tariff Section 40.4.5; see also PU Code section 380.

after initial publication, but parties were still expected to submit comments – in the absence of a draft upon which to comment. Second, two parties were apparently allowed to submit confidential comments – unbeknownst to other stakeholders. This was not discovered by stakeholders until specific questions were raised about it on a stakeholder call on April 14, 2016. This secrecy and lack of an established, transparent, consistently-applied process is concerning. As shown on the CAISO's webpage, a document posted on April 28, 2016 at 8:48 AM details who filed confidential comments, but the disclosure occurred only after repeated questions were raised.

<http://www.aiso.com/informed/Pages/StakeholderProcesses/LocalCapacityRequirementsProcess.aspx>

c. Backstop Procurement Authority

Not addressed at this time.

7. Other