

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
<i>Nora Sheriff</i> <i>Alcantar & Kahl</i> <i>Counsel to CLECA</i> <i>415-421-4143</i>	CLECA	<i>June 15, 2016</i>
<i>Barbara Barkovich, Ph.D.</i> <i>Barkovich & Yap</i> <i>Consultant to CLECA</i> <i>707-937-6203</i>		

This template has been created for submission of stakeholder comments to the Second Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on May 26, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 15, 2016**.

Please provide feedback on the Regional RA Straw Proposal topics:

A vote by the current Board of Governors at the August 30-September 1, 2016 meeting unduly rushes this important process. Several key aspects of the proposal remain under development; for example, allowing import resources to qualify as RA resources; others have been completely revised in this latest draft, e.g., the removal of the zonal RA concept and the coincidence adjustments to load forecasts. It is absolutely proper for staff's proposal to be modified as it works its way through a stakeholder process in response to comments and questions; such fulsome development should lead to a better, more workable proposal in the end. However, the current timeline does not allow for sufficient consideration and development of these new or revised aspects of the proposal. It is hard to see how a thoughtful, reasonably-developed proposal can be "final" by the end of June.

Equally importantly, the governance structure of a regional ISO should first be developed, then the various market structure proposals should be developed and settled in a more holistic, coordinated fashion. This would enable appropriate and needed consideration of the interactions and interplay between and among the Transmission Access Charge policy, Regional Resource Adequacy, the still-pending Greenhouse Gas policy, review of nodal pricing and the Grid Management Charge policy. CLECA again urges reconsideration of the current schedule.

CLECA very much appreciates the provision of a response matrix; it is helpful to stakeholders to know CAISO's responses to the comments. Response matrices contribute to the completeness of the stakeholder process, and they should always be provided.

1. Resource Adequacy Unit Outage Substitution Rules for Internal and External Resources

CAISO now proposes allowing "like" external resources to substitute for "like" internal resources in an expanded, regional ISO, if operating characteristics are comparable, the MIC allocation is adequate and it can meet the Must Offer Obligation (MOO) of the internal resource on outage.¹ How will the CAISO know that an external resource is "like"? What will this require for implementation and will there be any audits or checks on the substitution of external resources? More details need to be provided for stakeholders to offer informed, thoughtful feedback on this new aspect of the Regional RA proposal.

2. Discussion of Import Resources that Qualify for RA Purposes

The CAISO states it is not, at this time, making a proposal on the use of import resources that qualify for RA purposes but that it is seeking a "discussion" of the topic with stakeholders. Were it not for the fact that a "Final Proposal" is supposed to be issued in about two weeks and then voted on by the Board of Governors two months later, seeking an initial "discussion" would be fine. At this juncture, however, it is disconcerting that such a key aspect of the proposal is still in the "discussion" stage, without even a strawman proposal on how this might work or what might be required. Since PacifiCorp relies on short-term, firm market purchases at external market hubs, allowing import resources to qualify for system RA should indeed be considered and based on the LRA(s)' review and approval. CLECA supports deference to the LRA here, but also questions how application of a MOO could work. It would seem unfair to not require a MOO for some system RA resources while requiring it for other system RA resources; it is not clear if this unfairness rises to a level of undue discrimination or not should such treatment continue in an expanded, regional ISO. More discussion is needed on this point.

3. Load Forecasting

The Second Revised Straw Proposal suggests the regional ISO will review hourly load forecasts from each LSE. CLECA agrees with the CEC's comments at the June 2 workshop that review of load forecasting requires expertise and can be time consuming. CLECA intends to actively participate in the working group meetings on load forecasting next week both at the CEC and at the CAISO, and CLECA appreciates that remote participation in these meetings will be enabled.

CLECA appreciates the flexibility proposed with the two options for load forecasting and supports the second option, if the choice for the final proposal is binary. CLECA suggests both options should remain in the final proposal or the second option should be chosen. CLECA supports explicit retention of the LRA's role in terms of load forecasting which should enable retention of deference for LRA policy choices, for example, on Distributed Energy Resources, how they are counted and treatment of behind-the-meter resources.

¹ Second Revised Straw Proposal, at 10.

4. Maximum Import Capability

The proposal first states that LSEs may select the intertie for which they get an allocation of import capacity, but then states that the revised proposal limits MIC nominations on interties to those in the current BAA (CLECA takes this to mean not interties in the expanded BAA);² this is a bit confusing. Is the LSE selection of interties limited to those within the current BAA?

CLECA supports - *in theory* - the newly-introduced concept that allocation of MIC across interties will take into consideration whether the LSE is paying a portion of an upgrade for the interties with their TAC; this concept aligns with the current TAC proposal under consideration. Alignment is appropriate, but it must be recognized that, like this initiative, the TAC proposal is still being developed and is somewhat of a moving target with many details far from being finalized. These proposals, like the other outstanding market structure proposals (GHG, GMC, nodal pricing model review) will all interact and those interactions need to be considered in a coordinated, holistic way. The current timeline, however, does not allow for that needed holistic consideration. More time is needed for the development of these market structure initiatives.

More detail is also required on this concept, including how the MIC allocation apportionment would occur. While CLECA appreciates the preliminary analysis on the PacifiCorp MIC allocations, more analysis should be provided to help inform stakeholders on the implications of the proposed MIC policy.

5. Monitoring Locational Resource Adequacy Needs and Procurement Levels

No comment at this time.

6. Allocation of RA Requirements to LRAs/LSEs

CLECA appreciates the CAISO's recognition of the concerns over jurisdictional tension between LRAs and an expanded, regional ISO in connection with the setting and allocation of RA requirements for LSEs.³ The proposal is for LRAs to "receive" RA requirements for their jurisdictional LSEs, and then the LRAs may allocate those RA requirement costs among the LSEs. Currently, however, California law requires the CPUC to set RA requirements, in collaboration and coordination with the CAISO.⁴ It appears the proposal may require a change in state law for purposes of setting RA requirements, in addition to governance for the CAISO. This needs to be explicitly acknowledged and addressed in the proposal.

CLECA supports the second option in the proposal, which retains a role for the LRA. The proposal notes this option would be "complex and potentially require changes in how these requirements [system, local and flexible] are calculated today."⁵ These RA requirements are continually changing and being refined, so the CAISO and stakeholders should not discount this

² Second Revised Straw Proposal, at 16-17.

³ Second Revised Straw Proposal, at 26.

⁴ PU Code section 380.

⁵ Second Revised Straw Proposal, at 26.

option simply because it may require changes. Retention of the LRA role, and enabling LRAs to continue setting key policies and impacting their implementation, is more important than avoiding change, especially when the requirements already change regularly.

7. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

The proposal states it would only periodically update the PRM, for example when a new PTO joins. CLECA recommends inclusion of significant load shape changes and shifting of peak loads as triggers for updating the PRM. CLECA generally supports *in theory* determining the PRM using LOLE reliability criterion of 1-in-10, but notes that there is no consistent definition of 1-in-10, as discussed in the CPUC's last LTPP proceeding. Again, more detail is needed on how this assessment would be performed.

b. Resource Counting Methodologies for Reliability Assessment

In its matrix of CAISO responses to stakeholder comments, CAISO seeks clarification of CLECA's query whether, with use of PMax, CAISO was assuming "perfect capacity."⁶ CLECA stated, "Does this imply perfect capacity?" While perhaps not artfully worded, CLECA wondered how historical forced and planned outages would be treated.

CLECA also request explicit confirmation that a compliance test would not be required more than once per year (assuming a successful test) for DR resources.

8. Other

Section 5.7 of the proposal should be revised to explicitly state that the tariff language will not be changed before a new PTO joins.⁷

⁶ Matrix of Responses, at 120.

⁷ Second Revised Straw Proposal, at 27.