

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. 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.

CLECA COMMENTS

CLECA appreciates this opportunity to provide input to the Regional RA policy initiative.

I. Timing

CLECA has several concerns related to timing. First, the current CAISO Board should not adopt a final Regional RA policy; rather, that decision should be left to the Western States Committee (WSC) (or its equivalent). A draft proposal on Regional RA can be “finalized” to enable PacifiCorp to discuss the intended general direction of Regional RA, but the adoption of the final policy, including approval of corresponding tariff changes to be filed with FERC, should be left to the WSC. This must be preceded by greater clarity on the jurisdiction over Regional RA in the Principles for Governance of a Regional ISO and the WSC issue paper. The governance proposal and creation of the WSC are not yet final, nor have they addressed the existing clear direction from the California legislature in Public Utilities Code §380 on who has authority over RA. California state law gives the California Public Utilities Commission statutory authority to set RA requirements. PU Code §380.(a) provides “*The commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load*

servicing entities.”¹ Consultation means work with – not be given direction. Does CAISO intend to seek a change in this state statute?

CLECA also has a concern with the current schedule for Regional RA; a draft final proposal will be posted in early December, followed by a stakeholder workshop in mid-December and stakeholder comments in late December. This seems rushed, particularly given the need for the WSC to consider the final proposal, once it is created. At a minimum, the WSC should be able to provide its input on the draft final proposal prior to its adoption. Additionally, it is unclear if this timeline allows for development of a complete matrix with stakeholder comments *and CAISO responses*. While CLECA appreciates the compilation of stakeholder comments in Appendix A to the current draft, it does not include CAISO responses. The CAISO responses enable stakeholders to better understand the CAISO’s reasoning, and should be included for the draft final proposal.

Finally, given the holidays, CLECA recommends deferring the mid-December workshop and late December comments to mid-January and late January. This revision to the schedule could accommodate an opportunity for input by an interim WSC, should such a body be established in early in 2017.

II. RA Requirements for System, Local and Flexible RA Resources

A. Load Forecasting

The Third Revised Straw Proposal changes the load forecasting approach from development of a bottom-up hourly load forecast to a bottom-up monthly peak flexible load forecasting approach.² This would then be “checked” against a system load forecast, with potential for “further investigation” if there is a “big discrepancy.”³ CLECA supports this change in concept as it appears more workable than developing an hourly forecast, and it clearly attempts to retain a role for the LRA.⁴ Additional detail, however, is still needed on how any monthly adjustments or updates would be made to the year-ahead forecast to account for load migration.⁵ Such adjustments would require coordination between the regional ISO, the CEC and the CPUC, as well as any other involved LRAs, and consideration should be given to the time needed for such coordination.

As was discussed at the workshop on October 6, the load forecasting proposal needs more thought and more development for the next iteration. This is particularly important as it appears the backstop procurement authority would apply to the monthly RA showings, not the annual showing. Notably, it is not clear if there is sufficient time allowed in the compliance and verification process for communication and coordination and there should be a real opportunity

¹ P.U. Code Section 380.(a) (emphasis added).

² Third Revised Straw Proposal, at 5.

³ Third Revised Straw Proposal, at 10-11. “Big discrepancy” should be defined more clearly in the next iteration.

⁴ Third Revised Straw Proposal, at 13 (“the ISO believes LRA involvement and review provides a necessary check that ensures the work conducted by the forecasting entities are accurate and reasonable”).

⁵ At least in California, the changing retail landscape suggests that load migration will be a significant issue.

for cure between the ISO, the LSE and the LRA, should an LSE be deemed deficient in a monthly showing.

B. Planning Reserve Margin

The Third Revised Straw Proposal suggests that the WSC have “some authority for input and guidance” on the PRM.⁶ CLECA believes that the PRM, like all other aspects of the regional RA policy, to the extent not left to the LRA, should be fully under the authority of the WSC. At the Oct. 6th workshop, CAISO staff communicated the intent for this Regional RA proposal to “set the process and plan” for Regional RA, which the WSC could then possibly amend in the future. What begins as interim, however, can easily become permanent; CLECA continues to caution against adoption of a Regional RA Policy by the current CAISO Board.

Importantly, at the Lead Commissioner Workshop on Regional Grid Operator and governance on Oct. 17th, CPUC Commissioner Florio and others, including CLECA, expressed dismay at the narrow role envisioned for the WSC in the Potential Topics document. Moreover, it isn’t clear when the initial “regional” PRM would need to be calculated; there may be sufficient time for the CPUC to finalize its probabilistic studies and for those CPUC studies to be used for the CPUC-jurisdictional LSEs. Finally, while CLECA agrees the PRM need not be re-set annually, there should be some recognition that as net load shapes change, the PRM might need to be revisited; the trigger for a review of the PRM should not be limited to entry of a new PTO.⁷

C. Uniform Resource Counting Rules

1. Counting Rules Should Be Left to the LRA Unless and Until an Issue Arises

CLECA is most concerned with the counting rules and proposed testing requirements. This is because California’s current demand response policies and programs help retain industries, particularly those that are energy-intensive, in California; this critically aligns with the state’s overarching climate goals. Moreover, there is no information in the record of this initiative that there are different counting rules for the different types of resources - including reliability demand response resources - that provide RA in what would be the expanded ISO footprint for a Regional ISO encompassing the current CAISO footprint and PacifiCorp. For example, despite several requests for information on the counting rules of the other LRAs for PacifiCorp, we don’t know if there are different counting rules for demand response resources in the other states in which PacifiCorp operates.⁸ We don’t know if there are different counting rules for other preferred resources either. The Regional RA proposal, however, suggests implementation of new, default counting rules that vary significantly depending upon resource type, raising questions about a technology-neutral philosophy and also raising concerns over the treatment of preferred resources. CLECA is very concerned by the divergence in the proposed CAISO and current CPUC counting rules.

⁶ Id, at 5.

⁷ See Regional Resource Adequacy Third Revised Straw Proposal presentation, dated Oct. 6, at slide 19 (referencing “refreshing” the PRM after “significant changes to the ISO system, such as when a new PTO joins the ISO BAA”).

⁸ See CLECA Comments on Regional RA –Working Group, August 10, 2016, submitted August 24, 2016, at 2.

Additionally, for this purpose, an ELCC methodology will, in a future stakeholder process, be developed for wind and solar resources.⁹ At the workshop, it was suggested by CAISO staff that ELCC might eventually apply “to all resources.”¹⁰ Mr. Jaske of the CEC cautioned that such an approach (ELCC) may lead to “wildly inaccurate results” for local areas and that regionalization would exacerbate the problem, with different locations of resources with areas with different load shapes. This concern, along with the concern over how to count energy-limited resources like hydro in the Pacific north-west, were cogently expressed at the workshop; they need to be addressed in the next iteration of this proposal. CLECA continues to agree with CPUC Staff that “new” default counting rules are not needed now; rather, the RA counting rules should continue to conform to those set by the CPUC or other LRAs unless a significant problem arises.¹¹

2. Proposed Testing Requirements for Demand Response Are Needlessly Onerous

More importantly, the proposed testing rules for demand response resources are needlessly onerous. The proposal contemplates seasonal testing, introducing three new seasons for this purpose: pre-summer (January-April); summer (May-September) and post-summer (October-December). This “three-season” aspect of the proposal doesn’t make sense if a reliability demand response resource is providing system RA; if there has been no dispatch of the reliability demand response resource, system resources should really be subject to only one test at or near the peak.¹²

Consideration should also be given to the nature of the resource. There is a significant difference between reliability demand response resources whose dispatch in the market must be triggered by system contingencies and proxy demand response resources (PDR) whose dispatch depends on their bid and the market. Consideration should also be given to whether or not there are penalties for non-compliance in the underlying demand response program. For example, reliability demand response resources that are made up of customers participating in the California utilities’ Base Interruptible program (BIP) have severe penalties for non-compliance. These are proven resources, with decades of compliance and performance. These BIP resources are primarily made up of high-load factor industrial customers whose demand is not significantly temperature-sensitive. These resources do not need to be subjected to three tests per year, and such a testing requirement could chill participation in this successful, proven program.

Where there are no penalties for non-performance in a program, or the resource is a PDR, however, it may be appropriate to have more than one test per year. That might appropriately balance the risk of non-performance with the need to verify the capacity. For programs with no penalties for non-performance, consideration should be given to using the testing requirements

⁹ CLECA also agrees with the CPUC staff comment at the workshop that it would be difficult (to say the least) if the CPUC finalizes and adopts an ELCC counting methodology for wind and solar in a year or two, then the following year or year after, the Regional ISO uses an exceedance methodology for wind and solar while it develops its own ELCC methodology, and then once its ELCC methodology is developed switches to its ELCC methodology.

¹⁰ See Regional Resource Adequacy Third Revised Straw Proposal presentation, dated Oct. 6, at slide 24.

¹¹ CPUC Staff Comments Regional RA Initiative, submitted August 26, 2016, at 3. Again, California state law vests jurisdiction over the RA requirements with the CPUC in consultation with the CAISO.

¹² If CAISO staff insists on retaining its seasonal concept, for system RA there should be at most two seasons: summer/peak and non-summer/non-peak.

set for the California 2018 DR Auction Mechanism Pilot; those were developed specifically for demand response on a collaborative basis, with utilities, customers, demand response providers, scheduling coordinators and the ISO participating. There, the requirements turn on the length of the underlying contract. As explained in the joint utility advice letter:

one test would be required in August of each year of the DRAM PA, if a Full Dispatch has not occurred.

For contracts of duration longer than six months, an additional test would be required during the first half of the Delivery Period, excluding August, if a test or Full Dispatch has not occurred. This essentially doubles the number of required tests (or dispatches) for contracts longer than six months. For contracts that begin in 2018 and include August 2019 delivery, an additional test is required in August 2019 if a Full Dispatch has not occurred.¹³

Finally, the test for demand response resources should certainly not be a 4-hour test, particularly when other resources are subjected to a one-hour test.¹⁴

III. Maximum Import Capability & IV. Requirements for RA Imports

Not addressed at this time.

V. Backstop Procurement Provisions and Cost Allocation

As noted above, we question whether the proposed month-ahead reliability assessment timeline is sufficient; the timeline provides 45 days from the ISO's receipt of the supply plans to the start of the operating month, with potential for backstop procurement during that period.¹⁵ It is not clear that the proposed 12 days (from T-42 to T-30) allows enough time for (1) communication with the LRA and LSE and (2) a sufficient opportunity to cure prior to the proposed time (T-30) for the monthly CPM assessment. This is particularly concerning given the discrepancies in counting that could result from the use of different counting methodologies between the Regional ISO and LRAs. CLECA reiterates its request for an explanation of the process that would be used in the event of such a counting discrepancy, including a timeline for resolution that would fit within the proposed RA showings and validation timeline in the Regional RA proposal.

CLECA continues to support maintaining a clear role for the LRA in the allocation of RA responsibility to LSEs.

¹³ See Advice Letter 3466-E.

¹⁴ See Regional Resource Adequacy Third Revised Straw Proposal presentation, dated Oct. 6, at slide 23 ("resource must sustain output at PMax for one hour").

¹⁵ See Regional Resource Adequacy Third Revised Straw Proposal presentation, dated Oct. 6, at slide 37.