

**Written Stakeholder Comments
Submitted After the
October 30, 2014 Stakeholder Meeting, With
Added ISO Response, Regarding the
2016 Local Capacity Requirement (LCR)
Criteria and Methodology and the
2016 LCR Manual**

Comments of San Diego Gas & Electric Company
2016 Local Capacity Requirements Process

SDG&E appreciates the opportunity to comment on CAISO's draft manual 2016 Local Capacity Area Technical Study (2016 LCR Manual).

SDG&E would like clarification on load shedding to be added to the 2016 LCR Manual. The ability to use load shedding for certain contingencies in some areas is changing at the ISO and should be revised in the 2016 LCR Manual. The California ISO Planning Standards section 6.1(Final Draft) 'Local Area Planning' states the "...ISO does not allow non-consequential load dropping in high density urban areas..." under various circumstances. However, multiple places the 2016 LCR Manual broadly mention firm load shedding without a distinction for high density urban areas. In defining System Readjustments, the review states 'firm load shedding is allowed in a planned and controlled manner' under Category C conditions. Load shedding is also included in multiple Performance Level tests. SDG&E understands that the ISO's LCR process already properly handles the change for high density urban areas. However, SDG&E proposes clarification in the 2016 LCR Manual for consistency across CAISO studies and policies.

Additionally, SDG&E recommends CAISO plan to adopt the system planning criteria table as established by NERC in Standard TPL-001-4 for the 2017 LCR Manual. Contingency planning events found in TPL-001-4 Table 1 'Steady State & Stability Performance Planning Events' are consistent with the 2016 LCR Manual 'Table 1: Criteria Comparison' which will be fully implemented during 2016. The divergence of event naming conventions, CAISO's A-D versus NERC's P, will be cumbersome and add of level of difficulty when referencing governing

documents and directives. SDG&E, therefore, supports adopting Table 1 from TPL-001-4 in the 2017 LCR Manual.

ISO Response:

The ISO had decided not to make changes to the LCR manual due to the new grid planning standard regarding load drop in high density urban areas. The standard refers to long-term planning whereas the LCR studies are geared towards short-term (mostly one year out) procurement; based on the new standard load drop including the use of SPS is allowed as interim bridge mechanism; therefore there is no need to change current practice. Furthermore the LCR methodology determines the amount of minimum local generation that LSE's must own or contract. ISO/NERC Planning Standards determines the transmission and generation capability that must be installed. The SPS installed and used under the LCR methodology simply reduced the amount of minimum contract requirements but may not be required to meet the ISO/NERC Planning Standards over the long-term. The ISO planning standards do not prevent the installation or use of SPS pursuant to the LCR methodology to avoid excessive contractual costs, especially in the short-term period.

The ISO intends to update the LCR manual for year 2017 to incorporate the new NERC standard as such your comments will be addressed at that time.

Comments of Pacific Gas & Electric Company
2016 Local Capacity Requirements Process

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to comment on the California Independent System Operator's (CAISO) 2016 Local Capacity Requirements Draft Technical Study Manual (Manual) and offers the following comments.

PG&E generally supports the criteria, methodology, and assumptions detailed in the Manual. However, PG&E would like to address two main issues which are discussed in further detail below.

Methodology Surrounding Qualifying Facilities

According to the 2016 Local Capacity Requirements Study Manual, regulatory must-take and similarly situated units, like Qualifying Facilities (QFs) /Nuclear/State/Federal resources are assumed on-line at Net Qualifying Capacity (NQC) or historical output values by the CAISO. PG&E believes such assumptions should be vetted annually to ensure accurate study results for resource adequacy and energy procurement needs.

In particular, contracts for several QF units in PG&E's service territory are set to expire in 2015. Some of those units play a key role in supplying power and maintaining the required level of reliability for local load pockets. It is important for the CAISO to review the capability and status of all QF units and identify which units are needed to meet local capacity requirements.

Future Year LCR Technical Study

PG&E recommends that the CAISO retain the 5 year forward LCR technical study that has been performed in previous years. If the CAISO's resources do not allow for a 3 year and 5 year forward LCR study to be conducted, then PG&E would prefer a 5 year forward study (covering 2020) over a restudy of 2018. PG&E believes the forward LCR Studies are critical, so that anticipated changes to the local areas can be identified with sufficient lead time for intermediate-term planning and procurement purposes. We note that a 2018 study was already completed by the CAISO last year.¹ Although base case assumptions may have changed for 2018 since the time of the previous study, PG&E believes the value added and insights gained by studying a new year would outweigh the marginal benefits obtained from a restudy of 2018.

ISO Response:

The ISO does not assume that Qualifying Facilities (QFs) /Nuclear/State/Federal resources are on-line at Net Qualifying Capacity (NQC) but rather the LCR methodology calls for them to be turned on first, if needed, since it is assumed that they are under a long-term contract and will be shown by LSEs in their compliance filing. If some QFs contracts terminate then they should fall in the third category as "market resources without long-term contracts". The ISO will make an effort to gather this data in order for the studies to be as accurate as possible, however LSE involvement and cooperation is required, since the ISO does not have a list with expiring contract dates and LSEs must be willing to share this data.

The ISO will be using the 5 year out study (2020) as the long-term LCT study this year.

¹ http://www.caiso.com/Documents/Final2018Long-termLocalCapacityTechnicalStudyReportApr30_2013.pdf

Comments of Southern California Edison Company
2016 Local Capacity Requirements Process

SCE reviewed the CAISO's Draft Manual 2016 Local Capacity Area Technical Study, and participated in the CAISO's October 30, 2014 meeting on 2016 Local Capacity Requirements. SCE appreciates the opportunity to submit the following comments.

Long-Term Local Capacity Requirement Study

SCE understands from the stakeholder call that for the 2016 Local Capacity Technical Study, the CAISO plans to perform a one-year (2016) and three-year (2018) Local Capacity Technical study.

SCE believes that it is critical to ensure that there is an annual examination of long-term local capacity needs that incorporates the following:

1. SCE's resource procurements such as the recently closed LCR RFO
2. SDG&E generation procurement including their recently released LCR RFO
3. Approved CAISO transmission projects through the annual TPP

The long term study should include both the ten-year and 2020. The ten-year case provides data to span the entire ten year planning horizon as performed for the reliability assessment. The 2020 case coincides with the compliance date for Once-Through-Cooling plants located in SCE service territory modeling the first year in which OTC plants may retire. The AAEE programs in 2020 are also lower than in the ten-year case. For the SCE area, AAEE in 2020 is over 500 MW less than in 2024.

This annual study is critical for all stakeholders and the CAISO to determine if there is any remaining residual LCR need. The study should include the identification of the critical contingency, megawatts of additional capacity required for each local area, and the effectiveness factors of substations in addressing the constraint.

Whether the long term study is part of the Local Capacity Technical Study or part of the TPP analysis, SCE is interested in confirming which scope and process the CAISO plans to utilize in performing the long term capacity study.

ISO Response:

The ISO will be using the 5 year out study (2020) as the long-term LCT study this year.

As agreed in the inter-agency frame work the ISO will perform a 10 year out LCR study every other year to be used in CPUC proceedings. Since a 10 year out LCR study was done this year the next one will be done during 2016.