Decision on maximum import capability multi-year allocation proposal

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Management is proposing changes to its allocation of import capability for resource adequacy purposes

- The ISO reviewed its current processes to calculate the maximum import capability and how it is assigned to improve the opportunities for import capacity to be used for resource adequacy purposes

- Two sets of changes were identified:
  1. The calculation of maximum import capability was revised to draw on samples from 5 years of historical data instead of only the last two, providing overall higher and more stable year-to-year results – already implemented through changes to the appropriate business practice manual. *No Board action necessary*
  2. Changes to the tariff are proposed to allow establishing multi-year rights for import capability for specific import paths (“branch groups”) to enable multi-year contracting. *Requires Board action*
The proposal will create opportunities for LSEs to lock MIC for multiple years at the import path (branch group) level.

• Follow the current one-year-out MIC allocation of import capability among load serving entities at the branch group level that is used today

• Load serving entities (LSEs) may lock a portion of their yearly allocations for specific branch groups through the term of their resource adequacy contracts by demonstrating applicable contracts
  – The maximum an LSE can lock up is 75% of its total annual MIC allocation
  – The multi-year *applicable contracts* must be signed by May 15th of the next resource adequacy year
  – If the individual LSE’s total year ahead allocation falls below the previous year(s) total locked up amount, then the LSE will be limited to the current total year ahead allocation
  – LSEs are to provide the ISO with contract priority curtailment order among the different paths they may have locked down
Other associated improvements are also proposed for the yearly allocation process:

- Transparency - make public for each branch group (import path scheduling point) the load serving entity (LSE) holder, locked up amounts, and expiration year

- Fairness – introduce an intermediate calculation in the existing methodology in order to assure equitable treatment of LSEs taking into account pre-existing rights to transmission capacity that are not subject to the allocation process

  • Existing transmission contracts, transmission ownership rights and pre-resource adequacy import commitments.
Applicable contracts used to lock MIC allocation should be associated with specific resources:

- Management is proposing that new contracts used to lock MIC allocations should be associated with source specified import resources (either resource specific or an aggregation of specific resources).

- This design is consistent with the proposed import RA rules and maintains alignment with the RA enhancements initiative’s must offer obligation rules.

- It aligns with stakeholder comments that the ISO should develop mechanisms to ensure capacity built outside California to support ISO load will be available and accessible to the ISO on the same basis as RA capacity in the ISO’s balancing area.
A phased implementation is proposed regarding applicable contract resources:

- The tariff will provide flexibility for the conditions placed on the import resources to be refined in the business practice manuals.

- Initially, only contracts for pseudo-ties and dynamic schedule resources will suffice to lock MIC for resource adequacy year 2022 (consistent with CPUC D.19-11-016).

- Other types or resource specific resources or aggregation of resource specific resources may be added as long as they meet tariff and revised business practice manual specifications for resource adequacy year 2023 and beyond.
  - This will be reviewed as the issue of import resources receives broader consideration, and require changes to the relevant business practice manual.
Positive stakeholder input regarding multi-year allocation

- Support with caveats – PG&E, VEA, Six Cities, CMUA
- Neutral – PowerEx, SMUD
- Oppose with caveats – SCE – Because CPUC has not made a decision yet on multi-year system RA requirements
- Oppose – CPUC – wants clarity for “resource specific or aggregate of resource specific” resources allowed to lock multi-year MIC (opposition was expressed prior to introduction of phased-in approach)
The possibility to lock MIC for multiple years at the branch group level supports improved contracting:

- The proposal is responsive to the majority of LSEs who would like to be able to lock MIC at the branch group level to enable multi-year contracts
- It is simple and efficient to implement
- It is sufficiently flexible to manage load migration concerns, e.g. the formation of new LSEs and year ahead load migration.
- It provides a framework for LSEs to manage their risk by:
  - Staying further back from the 75% limit; or
  - Selling the extra contracts that may be surplus with load share ratio decreases; or
  - Buying extra MIC allocations from other LSEs (if available)