

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative – Working Group, July 21, 2016

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on Working Group for the Regional Resource Adequacy initiative that was held on July 21, 2016 and covered the topics of Maximum Import Capability, Imports for RA issues, and Uniform Counting Rules. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **July 29, 2016**.

Please provide feedback on the July 21 Regional RA Working Group:

1. Maximum Import Capability (MIC) calculation methodology proposal
 - a. Do you support the ISO's proposal to modify the methodology for calculating the MIC values in an expanded BAA for use in limited circumstances to reflect situations where a PTO that joins the ISO has a need to serve its peak load that occurs non-simultaneously with the rest of the system and when there are no simultaneous constraints between certain areas of an expanded ISO BAA? If not, why not?
 - b. Do you support a transition period or transitional mechanism for this MIC calculation proposal?
 - c. Please provide any further details or positions on the ISO's proposal to modify the methodology for calculating the MIC values in an expanded BAA.
2. MIC allocation methodology proposal
 - a. Do you support the ISO's proposal to modify the methodology for allocating the MIC to LSEs in an expanded BAA, in order to limit initial allocations of MIC capability to particular sub-regions of ISO that would be defined by the Regional TAC Options sub-regions? If not, why not?

- b. Do you agree that splitting of the initial MIC allocations among sub-regions, combined with the ability to bilaterally transfer MIC between the Regional TAC Options sub-regions and the final Step 13 ability to nominate any remaining MIC anywhere in the footprint will properly balance MIC allocation method needs for an expanded BAA? If not, why not?
 - c. Do you support a transition period or transitional mechanism for this MIC allocation proposal?
 - d. Please provide any further details or positions on the ISO's proposal to modify the methodology for allocating MIC in an expanded BAA.
 3. Substitution of internal Resource Adequacy resources with external resources
 - a. Do you support the ISO's proposal to allow external resources to substitute for internal RA resources experiencing outage requiring substitution?
 - b. Do you believe that one of the conditions of allowing external resource to substitute for internal RA resources should be that the external resource has similar operating characteristics of the outage resource? If so, how would the ISO determine the external resource substitute has similar characteristics?
 - c. Please provide any further details or positions on substitution of internal Resource Adequacy (RA) resources with external resources.
 4. Import resources that qualify for Resource Adequacy
 - a. Do you agree that the rules for import resources qualifying for RA should be clarified in order to remove ambiguity from the Tariff?
 - b. Do you believe that there should be a role for bilateral spot market energy purchases or short-term firm market energy purchases procured outside of the ISO BAA to qualify for RA meet a portion of an LSE's requirements? If so, why? If not, why not?
 - i. If you believe that some types of energy-only transactions should qualify for RA purposes, should there be a limit or cap on the volume that individual LSEs could utilize those resources for RA purposes?
 - ii. How could the ISO actually analyze the reliability that would be provided with various levels of these energy transactions being used to meet RA requirements?
 - c. Please provide any further details or positions on import resources qualifying for RA purposes.
 5. Uniform counting rules proposal
 - a. Do you agree with the ISOs proposal to use the Pmax methodology for most thermal resources and participating hydro? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
 - b. Do you agree with the ISOs proposal to use ELCC to establish the capacity values for wind and solar resources? If not, please specify why not. Are there elements that require additional detail prior to a policy filing?

- c. Are there any element of an ELCC methodology that must be established prior to the ISOs policy filing?
- d. Do you agree with the ISOs proposal to use the historical methodology for run-of-the-river hydro, and Qualifying Facilities including Combined Heat and Power? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- e. Do you agree with the ISOs proposal to use the registered capacity value methodology for load based capacity products such as PDR, RDRR, and Participating Load? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- f. Do you agree with the ISOs proposal to use the registered capacity value methodology for Non-Generator Resources (NGR) and pumped hydro? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- g. Are there any additional uniform counting rules that should be developed prior to the ISOs policy filing?

Comments on the July 20, 2016 Working Group Issues

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates this opportunity to comment on the California Independent System Operator’s (the “ISO”) July 20, 2016 Working Group for the Regional Resource Adequacy (“RA”) initiative.

As noted in prior comments, ICNU has not necessarily concluded that integration into the ISO of PacifiCorp or any other particular entity will be beneficial to large power consumers. In order to form such a conclusion, it would be necessary to find, among other things, that: 1) joining the market will result in no harm to customers of PacifiCorp or other potential new Participating Transmission Owners (“PTOs”); and 2) any incremental benefits associated with the market are shared equitably between market participants. ICNU looks forward to further analysis to determine if such a showing can be reached.

1. Maximum Import Capability (“MIC”) Calculation Methodology

In prior RA initiative comments, ICNU has supported maximum flexibility in how a regional ISO would account for the individual needs of potential new PTOs. For the same reason, ICNU generally supports the ISO’s proposal to modify the methodology for MIC calculations to reflect the situational needs of a new PTO, and specifically in regard to non-simultaneous peaks. This aspect of the methodology, however, should be further reviewed after the regional ISO has more experience regarding the inertia capability at the time of system peak.

ICNU does not believe that a transitional period or mechanism would be necessary to implement this MIC proposal, although the issue could be reviewed and reconsidered, much as the ISO proposed to “revisit” a zonal RA construct “if it becomes apparent that there is a need to do so at a later time once the ISO gains experience with

additional areas of an expanded BAA.”^{1/} Pacific Gas & Electric (“PG&E”) has proposed the institution of “a MIC Sunset Period for New Entities,” ensuring that “all entities receive MIC based on the coincidental peak” once the transitional period ends.^{2/} As PG&E explained: “Without an understanding of the drivers of the non-coincidence, it does not make sense to create a permanent solution.”^{3/} ICNU agrees that talk of “a permanent solution” would be premature. However, for the same reason, ICNU does not believe it would be appropriate to predetermine a sunset period, as PG&E proposes. Rather, the ISO should revisit this issue after gaining experience with non-coincidence drivers in expanded BAA areas—and, similar to the proposed treatment of a zonal RA concept, only then consider whether all PTOs should receive MIC on the coincidence peak.

2. MIC Allocation Methodology

ICNU continues to support a MIC allocation methodology in which each sub-region of a regional ISO “retains exclusive rights to the import capability physically deliverable into its sub-region.”^{4/} Accordingly, the ISO’s allocation proposal seems appropriate, to the extent that the “PacifiCorp system would keep all MIC capability created by its system,”^{5/} and, by extension, “LSEs serving load within the PacifiCorp footprint will receive all of the MIC capability that is provided by [the] PacifiCorp system’s capability.”^{6/}

As with the ISO’s MIC calculation proposal, ICNU does not believe that a transition period or mechanism should be instituted. ICNU agrees that the proposed changes to both MIC calculation and allocation “may need to be revisited in the future.”^{7/} But, as with the zonal RA construct, a “revisit” will only be meaningful after sufficient experience has been gained. For now, the ISO’s proposal appears to properly balance MIC allocation needs for a regional ISO.

3. External Resource Substitution

ICNU supports the proposal to allow external resources to substitute for internal RA resources experiencing an outage. As noted in prior comments, the ISO’s proposed substitution criteria appear reasonable,^{8/} including the similar operating characteristics requirement. In order for a regional ISO to make such a determination, ICNU notes that PacifiCorp relies on dynamic transfer capability to pseudo-tie several resources into its balancing area and is currently able to rely upon those resources to provide replacement power in the instance of an unplanned outage. Restricting this ability in a regional ISO would be a less efficient way for PacifiCorp to operate its system, and for that reason, ICNU is supportive of the ISO’s proposal on this matter.

^{1/} Second Revised RA Straw Proposal at 5.

^{2/} PG&E Presentation, MIC and Imports Working Group, July 20, 2016, at 5.

^{3/} Id. at 3.

^{4/} ICNU Comments on RA Straw Proposal at 3.

^{5/} Agenda and Presentation, RA Working Group, July 20, 2016 (“July 20th Presentation”), at 12.

^{6/} Id. at 13.

^{7/} Id. at 16.

^{8/} ICNU Comments on Second Revised RA Straw Proposal at 2.

4. Import Resources that Qualify for RA

ICNU agrees that the rules for import resource qualification should be clarified. The ISO noted stakeholder comments suggesting that the definition of a “firm” resource “should be consistent with energy and capacity products sold in the West and considered firm and should apply to all resources used for resource adequacy purposes.”^{9/} This would seem a fair guiding principle, encompassing ICNU’s minimal recommendation that Western Systems Power Pool Schedule C transactions be considered a firm system resource.^{10/} These are the types of transactions that PacifiCorp, and many other regional utilities, rely upon today for meeting their current reliability needs. The Federal Energy Regulatory Commission (“FERC”) has held that these products constitute firm power, and restricting the ability to use these products could result in incremental costs to new PTOs, reducing the potential net benefits from joining a regional market.

Also, ICNU believes that there should continue to be a role for bilateral spot market power purchases or short-term firm market energy purchases procured outside the ISO BAA to qualify for RA in meeting a portion of load serving entity (“LSE”) requirements. Restricting RA qualification to only long-term contracts, for example, would be a requirement forcing an LSE to engage in certain hedging practices, which may not be in the best interest of ratepayers. The decision on whether to buy in short-term markets or to buy in long-term markets is better left to state regulators, rather than the regional ISO. Nevertheless, ICNU would not necessarily oppose some sort of limit or cap on the volume of short-term transactions that individual LSEs could use for regional RA purposes. Such a limit, however, would have to give a local regulatory authority (“LRA”) maximum flexibility and should be tied to a PTO’s overall allocated MIC capability. In terms of the regional ISO’s ability to analyze the reliability provided through such energy transactions, ICNU suggests that a firm power contract ought to be assumed to contribute fully to system reliability.

5. Uniform Counting Rules

ICNU supports the ISO’s proposal to use the Effective Load Carrying Capability (“ELCC”) methodology for wind and solar resources, as the ELCC is generally more rigorous than the Exceedance methodology presently used by the ISO for these resources. ICNU believes that such an approach is warranted because the capacity contribution of renewables may be higher in a regional ISO, compared to what has historically been calculated on a utility-by-utility basis. Given the high penetration of renewables in both PacifiCorp’s and the ISO’s balancing areas, the increased diversity associated with renewables in the combined BAA could produce capacity benefits, which might offset the need for future resources. This potential should be further studied by the ISO, and the ELCC method is generally considered to be the most appropriate methodology to perform such an analysis.

Notwithstanding, because the ELCC can be performed in a number of different ways, there are four specific considerations that ICNU recommends be reflected in ELCC calculations. At a minimum, a FERC policy filing should expressly state that the ISO plans to

^{9/} July 20th Presentation at 27.

^{10/} ICNU Comments on Second Revised RA Straw Proposal at 2.

consider the following: 1) use of a stochastic variable for renewable output in the reliability study modeling; 2) use of Loss of Load Expectation (“LOLE”) based on an LOLE days/year as the reliability metric; 3) benchmarking to the ELCC of a thermal resource to determine renewable capacity contribution; and 4) inclusion of diversity benefits. ICNU has provided further detail on these recommendations in prior comments.^{11/}

ICNU does not offer any comments on uniform counting proposals for other resource types at this time. However, ICNU continues to recommend consideration of an explicit tariff safeguard to ensure that potential new PTO customers are not harmed by any variance between LRA and regional ISO counting methodologies.^{12/}

^{11/} See ICNU Comments on Revised RA Straw Proposal at 7.

^{12/} See ICNU Comments on Second Revised RA Straw Proposal at 6-7.