

## Stakeholder Comments Template

### Subject: Regional Resource Adequacy Initiative – Working Group, August 10, 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 August 10, 2016 and covered the reliability assessment topic. Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **August 17, 2016.**<sup>1/</sup>

Please provide feedback on the August 10 Regional RA Working Group:

1. Does your organization clearly understand the examples that were intended to provide explanation of the Regional RA reliability assessment validation of LSE RA Plans and Supply Plans? If not, please indicate what further details or additional clarity your organization believes should be provided by the ISO in the future.
  - a. Please indicate if your organization believes that there are other specific examples or scenarios that are needed to aid in explaining the Regional RA reliability assessment RA and Supply Plan validations. If so, please detail the specific scenarios that your organization would like the ISO to provide examples on.
  
2. Does your organization clearly understand the examples that were intended to provide explanation of the Regional RA reliability assessment backstop procurement cost allocation? If not, please indicate what further details or additional clarity your organization believes should be provided by the ISO in the future.
  - a. Please indicate if your organization believes that there are other specific examples or scenarios that are needed to aid in explaining the Regional RA reliability

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<sup>1/</sup> By Market Notice on August 16, 2016, the comment period was extended to August 24, 2016.

assessment backstop procurement cost allocation. If so, please detail the specific scenarios that your organization would like the ISO to provide examples on.

3. Please provide any further feedback your organization would like to provide on the proposed Regional RA reliability assessment process.
4. Please provide any feedback on the other discussions that occurred on the other Regional RA topics during the working group meeting.

### **Comments on the Reliability Assessment Working Group**

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates this opportunity to comment on the California Independent System Operator’s (the “ISO”) August 10, 2016 Regional Resource Adequacy (“RA”) Stakeholder Working Group discussion concerning reliability assessment issues.

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 large 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. Reliability Assessment Validation Examples**

ICNU believes that it has a relatively clear understanding of the illustrative reliability assessment validation examples provided at the RA working group meeting. That said, as an organization that has not participated in RA processes outside the current initiative, ICNU would appreciate future clarification and illustration on the relationship, interaction, and similarities/differences between annual and month-ahead reliability assessment processes.

#### **2. Backstop Procurement Cost Allocation Examples**

ICNU also believes that it has a reasonably clear understanding of the backstop procurement cost allocation examples presented at the working group meeting, at least at a high level. ICNU, however, does not necessarily agree that the backstop procurement authority would align well with the authority of a local regulatory agency (“LRA”) over the procurement decisions of its subject electric utilities. ICNU would find it helpful if the ISO were to provide additional explanation as to the exercise of backstop procurement authority in both the year-ahead and month-ahead assessment contexts. Specific clarification and illustration of how backstop procurement cost allocations may be similar or different in these contexts would be appreciated—e.g., whether in tariff language, internal operating guidelines, or simply as a practical matter in how the ISO has traditionally used its backstop discretion and authority.

### 3. Reliability Assessment Process

During the recent working group presentation, the ISO noted that load forecasting was among “the inputs and data used for the reliability assessment.”<sup>2/</sup> In prior comments in this RA initiative, ICNU expressed concern over load forecasting proposals, including any potential “request” from the ISO for a load serving entity (“LSE”) to adjust its forecasting.<sup>3/</sup> Depending upon whether such “requests” are actually mandatory ISO requirements, or merely requests for an LSE to voluntarily comply, issues of LRA authority and LSE backstop procurement cost allocation liability could be implicated. Thus, in future RA process, ICNU would find it helpful if the ISO were to: 1) clarify whether compliance with load forecasting adjustment “requests” will be mandatory or voluntary; and 2) provide further explanation and illustrative examples of how load forecasting (and potential adjustments) may impact annual and monthly reliability assessments.

### 4. Other Discussions

ICNU offers feedback on a couple of other discussion topics at the recent working group meeting. First, in discussing reliability assessment inputs and reference data, the ISO stated that it does not automatically flow that lower PRMs [planning reserve margins] and higher counting rules used by LRAs will translate to backstop procurement.<sup>4/</sup> Notwithstanding, lower PRMs and higher counting rules used by LRAs *may* result in backstop procurement and other cost allocation to new PTOs, whereas those same PTOs would not incur such costs but for ISO integration and reliability assessment. These are certainly costs that should be considered to the extent PacifiCorp presents cost benefit analyses to evaluate the potential entrance into a regional market.

On several occasions, ICNU has commented that PRM “melding” and diverse resource counting rules may significantly increase costs for PacifiCorp and its customers as a result of ISO integration.<sup>5/</sup> Moreover, ICNU recently offered possible solutions to address these concerns, including new tariff provision safeguards designed to limit future cost responsibility for customers of potential new PTOs.<sup>6/</sup> ICNU hopes that the ISO will expressly consider these or similar solutions in the next RA proposal. Also, given the additional time stakeholders now have to work out RA initiative details (with regional ISO integration not to be considered by the California Legislature until 2017), it would seem appropriate and constructive to devote additional attention to potential concrete solutions to such stakeholder concerns.

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<sup>2/</sup> Agenda and Presentation, RA Working Group, August 10, 2016 at 6.

<sup>3/</sup> ICNU Comments on Second Revised RA Straw Proposal at 3 & n.6; ICNU Comments on RA Load Forecasting Working Group at 4 (July 12, 2016).

<sup>4/</sup> See ISO, Audio File of August 10<sup>th</sup> Presentation at 1:41:30 (paraphrasing the following three statements: 1) “it doesn’t automatically flow that if someone had a lower PRM than the ISO’s that there’s a deficiency in the CPM”; 2) “it doesn’t automatically flow that if we have maximum counting rules that everyone’s going to contract up to the maximum value and we’re going to have all these showings come in and we’re going to have discrepancies”; and 3) “it doesn’t flow that that the ISO is going to do a whole bunch of backstop procurement.”)

<sup>5/</sup> E.g., ICNU Comments on RA Straw Proposal at 5-8; ICNU Comments on Revised RA Straw Proposal at 6; ICNU Comments on Second Revised RA Straw Proposal at 5-7.

<sup>6/</sup> ICNU Comments on Second Revised RA Straw Proposal at 5-7.

Second, and ultimately related to the first issue, the ISO invited stakeholders to comment upon how system reliability could be assured in a “Wild West” scenario, in which “everyone could establish their own counting rules,” or, presumably, their own PRM levels.<sup>7/</sup> ICNU would disagree with a characterization that the existence of multiple planning reserve margins constitutes a “Wild West” scenario. For instance, markets such as the Midcontinent Independent System Operator (“MISO”) operate within a framework that allows for different planning reserve margins in different zones and the MISO market has been successful. ICNU prefers a zonal resource adequacy framework similar to that used by the MISO. Such a framework would better allow states to maintain their regulatory oversight of utility resource procurement. Notwithstanding, ICNU does not necessarily agree that a uniform PRM is necessary, simply as a condition of not adopting a zonal resource adequacy framework. Different utilities have different resources that result in different PRMs. A utility with a great deal of hydro resources, for example, may have a different PRM than one that only has thermal resources. Thus, the assumption that a single PRM is necessary is flawed because different resource portfolios will produce different PRMs. Accordingly, adopting a single PRM results in the same cost shifting that that the ISO is attempting to avoid. Perhaps a more scientific way to approach the planning reserve margin issue is through the use of loss of load probability studies for each transmission region, similar to what PacifiCorp does today with respect to its integrated resource plan.

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<sup>7/</sup> ISO, Audio File of August 10<sup>th</sup> Presentation at 0:55:30.