

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 Straw Proposal for the Regional Resource Adequacy initiative that was posted on February 23, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **March 16, 2016**.

Please provide feedback on the Regional RA Straw Proposal topics:

1. Load Forecasting

NIPPC agrees that Load Serving Entities (LSEs) should continue to develop their own load forecasts. NIPPC also agrees that the ISO should develop an accurate and transparent mechanism to use the LSEs' load forecasts to determine the coincidence factor for the expanded footprint and to allocate the coincident load back to each LSE. In the next version of the straw proposal, the ISO should describe in detail the formulas it intends to use to determine the coincidence factor and calculate coincident load and allocate it to LSEs. The ISO will need to develop rules ensuring the consistent treatment of behind the meter generation and demand response resources among the LSEs preparing their own load forecasts.

After the ISO has allocated coincident load to LSEs, there should be a mechanism for Local Regulatory Authorities (or the LSE) to review and challenge the allocation. Provisions should be included to revise load forecasts during the course of the year. Note that it is critical for the mechanisms used to calculate and allocate the coincident load to be transparent.

2. Maximum Import Capability Methodology

NIPPC urges the ISO to describe its mechanism for allocating import capability to LSEs in the next version of the straw proposal. NIPPC is concerned that annual recalculations of maximum import capability (MIC) and annual reallocations of the MIC to LSEs will create unnecessary uncertainty regarding the ability of an LSE to rely on imported generation to meet its resource adequacy requirements. The risk that import capability (or the LSEs allocation) would be reduced might discourage LSEs from entering into long term contracts for resource adequacy with generators outside the expanded ISO footprint.

NIPPC also encourages the ISO to host a workshop explaining its Congestion Revenue Rights (CRRs). A full appreciation of import capability allocations (and allocation of capacity on internal constraints) requires a deeper understanding of the role CRRs play in the ISO and potential revisions, which may be required in an expanded footprint.

3. Internal RA Transfer Capability Constraints

NIPPC agrees that the ISO must establish a mechanism to identify internal constraints within an expanded footprint and allocate capacity across those constraints. NIPPC agrees it is important to protect existing contracts in the allocation of capacity on internal constraints. The mechanisms to identify internal constraints, calculate transfer capability across those constraints, and allocate rights to that capacity must be transparent to all parties. NIPPC also seeks more detail regarding the proposed netting of RA contracts across internal constrained paths. NIPPC suggests that the ISO re-evaluate the need for confidentiality around the contracts submitted to calculate netting, as these sales of capacity are subject to FERC EQR submittals. There may be suitable mechanisms to provide aggregated data for market participants to understand the assignments, which the CAISO has used in the allocation process.

As noted in its response to the MIC proposal, NIPPC is concerned that annual redeterminations of transfer capability and annual reallocations will discourage LSEs from long term commitments for resource adequacy. Annual recalculations and reallocations will complicate LSE procurement programs and decisions.

4. Allocation of RA Requirements to LRAs/LSEs

No position

5. Updating ISO Tariff Language to be More Generic

NIPPC agrees the ISO tariff language should be made more generic.

6. Reliability Assessment

NIPCC agrees with the need for clear, consistent rules designed to prevent one LSE from unfairly leaning on resources procured by others.

NIPPC notes that load forecasts, planning reserve margins and resource counting methodologies all contribute to a final result. If each element is conservative, LSEs will likely procure more capacity than is reasonably needed at unnecessary cost to consumers; on the other hand if each is too liberal, the system faces increased risk of capacity shortages. Part of the regional resource adequacy program should be a periodic review — not just of the individual components of the resource adequacy program but also exploring how those individual components work together.

a. Planning Reserve Margin for Reliability Assessment

NIPPC agrees that the ISO should establish a single planning reserve margin for the system. LRAs should have the ability to direct their LSEs to plan to a higher reserve margin, but enforcement of that alternative should be held by the LRA and not the ISO.

b. Resource Counting Methodologies for Reliability Assessment

NIPPC agrees that the ISO should establish standard resource counting rules. LRAs may choose to impose alternative counting rules for their own policy purposes, but those alternative counting rules should exist outside of the ISO's regional resource adequacy program.

NIPPC believes that the ISO's existing default qualifying capacity criteria in Section 40.8 of the ISO tariff is a good place to begin discussions of an appropriate resource counting methodology. Changes to the existing default capacity criteria are likely needed for wind, solar and hydro resources.

For wind and solar, some version of Effective Load Carrying Capability (ELCC) should be used that bases a resource's qualifying capacity for RA on its historical contribution to peak load. Because of the very large geographic footprint, solar resources, and perhaps wind resources, may need to be evaluated on their contribution to the non-coincident peak in the zone in which they are sited— not on their contribution to the system coincident peak. Assuming the system coincident peak is driven by loads in California and depending on the time of day of the system

coincident peak, a solar generator in eastern Utah, for example, is likely to contribute less to the system peak than an identical project in California, but would have made an equal contribution at the time of its zonal peak. The ISO may need to calculate ELCC by zone.

The ISO should encourage operators of hydro projects outside of California to propose modifications to the Section 40.8 criteria if they believe a different methodology to calculate their ability to reliably supply capacity is superior.

c. ISO Backstop Procurement Authority for Reliability Assessment

NIPPC agrees that the ISO needs backstop authority to procure capacity for reliability if LSEs fail to procure their obligation and that the ISO has provided adequate notification and cure period for the LSE to rectify its filing.

The ISO's regional resource adequacy program is essentially a short term procurement mechanism. The timelines do not allow for the construction of new generation resources. Despite having backstop authority, the ISO cannot procure capacity that does not exist. The backstop authority provisions assume that idle generator capacity is already appropriately located to meet the need identified. NIPPC recommends that the next version of the straw proposal identify the true usability of Integrated Resource Planning, the value of which varies by LRAs within an expanded geographic footprint.

7. Other

The ISO straw proposal contains numerous references to annual and monthly calculations, reallocations, and designations by the ISO or LSEs. To facilitate and expedite discussions and a common understanding, NIPPC encourages the ISO to prepare a timeline that lays out the complete schedule of the numerous calculations (load forecast, MIC, internal constraints, resource counting for RA) and allocations that make up the ISO regional resource adequacy proposal.

NIPPC is concerned that the annual calculations of MIC, internal constraints and generator specific contributions to resource adequacy create unnecessary uncertainty regarding the ability of a specific generator to meet a specific LSEs long term RA requirements. NIPPC urges the ISO to consider whether it can maintain reliability of the system without annual calculations of MIC and internal constraints — and instead recalculate those metrics only when specific triggers occur (additions or retirement of facilities, new participants join the expanded footprint or other specific events).

NIPPC urges the ISO to develop a process to regularly review its regional resource adequacy program in its entirety. The overall program, not just its individual components, should be no more costly than necessary to meet the ISO's reliability goals.