

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative – Load Forecasting Working Group, June 22, 2016

Submitted by	Company	Date Submitted
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The State of California’s Office of Ratepayer Advocates (ORA) provides the following comments on the California Independent System Operator Corporation’s (ISO) Load Forecasting Working Group conducted on June 22, 2016, and briefing materials presented at the working group meeting.

Feedback on the Regional RA Load Forecasting Working Group:

1. Current Load Forecasting Capabilities and Practices:

- a. Please provide comments and any additional information that you wish to share in order to describe your organization’s current load forecasting practices and capabilities in order for the ISO and other stakeholders to understand the differences in current practices amongst LSEs.**

Not applicable to ORA.

- b. Do you believe that your organization could support an hourly load forecasting proposal as previously described in the ISO’s Second Revised Straw Proposal?**

ORA could support an hourly load forecasting methodology, but not as described in the ISO’s Second Revised Straw Proposal. The ISO’s Second Revised Straw Proposal would allow each Load Serving Entity (LSE) to independently develop and submit hourly load forecasts to the ISO without the use of a standardized forecasting methodology.¹ In the working group call, the ISO stated that it is

¹ Second Revised Proposal, p. 12.

considering requiring only the submission of monthly peak forecasts with a coincidence factor adjustment, while still allowing each LSE to utilize its own forecasting methodology.² Regardless of whether LSEs are required to submit an hourly forecast or a monthly peak forecast with coincidence factor adjustment, ORA remains concerned that allowing LSEs to use different forecasting methodologies will lead to inconsistent evaluations of capacity need and potential capacity leaning between LSEs. Currently, California's LSEs submit load forecasts to the California Energy Commission (CEC) which has the expertise to make adjustments to address different forecasting assumptions and calculate coincidence factors.³ The CEC has been required to assess and forecast demand to inform California's energy policies per Senate Bill 1389 since 2002⁴ and has a Demand Analysis Office dedicated to collecting and analyzing data on electricity peak demand and consumption.⁵ As discussed further in response to Question 2, ORA proposes an alternative option that places forecasting oversight with the body of state regulators the CAISO has proposed in its Principle of Governance.⁶ With its expertise in reviewing load forecasts, this body could develop a consistent methodology that ensures accurate forecasting across the regional ISO footprint and leads to equitable Resource Adequacy (RA) obligations.

2. Coincident Peak Forecasting Methodology Options

If the ISO proposed to require LSE specific forecasts for only the 12 monthly peaks, there would be a need to adjust individual forecasts to determine the coincidence peak contribution in order to capture the benefits of load diversity. In order to determine the annual and monthly RA requirements for individual LSEs and recognize the benefit of load diversity in an expanded BAA the ISO is considering some options and requests stakeholder feedback on the following options:

- a. Option 1) Allowing individual LSEs (or local/state forecasting agencies, including the CEC for California LSEs) to have the ability to provide both their Non Coincident Forecasts (no coincidence adjustment) and Coincident Peak**

² Load Forecasting Stakeholder Working Group Call presentation, pp. 5-6.

³ Resource Adequacy 2016 Load Forecast Adjustment Methodology – Revised, pp. 2-3.
<http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=11366>.

⁴ Senate Bill 1389 (SB 1389, Bowen and Sher, Chapter 568, Statutes of 2002) requires the CEC to: "[C]onduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices." (Pub. Res. Code § 25301(a)).

⁵ <http://www.energy.ca.gov/assessments/>.

⁶ Available at http://www.energy.ca.gov/sb350/regional_grid/documents/2016-06-16_06-20_documents.php.

Forecasts to the ISO (no ISO specified Coincidence Factor methodology, LSEs can utilize coincidence forecast calculation method suited for their needs individually, and this option is still subject to ISO coincidence method guidelines that would be provided, as well as ISO review).

- i. Please indicate if your organization supports or opposes an approach of providing flexibility in the coincidence forecasting methodologies.**

ORA does not support allowing individual LSEs to create both non-coincident forecasts and coincident peak forecasts because this approach would create the potential for capacity leaning. ORA recommends that a body of state regulators develop and oversee forecasting processes rather than individual LSEs.

ORA supports a hybrid approach described below in response to Question 2.c.

- ii. Also, if your organization would support or oppose this approach, please describe why this option is preferable or not to your organization.**

A wide range of inconsistent forecasting methodologies among LSEs would result in questionable results in a regional ISO. Currently, California ratepayers benefit from consistency and equitable results through independent CEC forecasting oversight. The use of inconsistent forecasting methodologies by an expanded pool of LSEs in the regional ISO has the potential to put California's ratepayers at risk of providing a disproportionate contribution to regional grid reliability due to capacity leaning.

The CAISO notes that allowing for LSE flexibility in forecasting may require significant oversight and review process.⁷ ORA agrees. This issue has potential to become an even greater problem with expansion of the regional ISO beyond PacifiCorp's LSEs. Any changes to California's RA framework should ideally result in a durable structure for future expansion in the western region.

- b. Option 2) Requiring individual LSEs (or local/state forecasting agencies, including the CEC for California LSEs) to have the ability to only provide their Non Coincident Forecasts (no coincidence adjustment) and the ISO would apply a specified Coincidence Factor formula to all individual LSE load forecast submittals uniformly in order to determine the Coincidence Peak forecasts for individual LSEs (ISO specified Coincident Factor methodology with actual formula to be determined through this stakeholder process).**

⁷ Load Forecasting Stakeholder Working Group Call presentation, p. 7.

i. Please indicate if your organization supports or opposes an approach of the ISO utilizing a predetermined coincidence factor methodology.

A consistent methodology for coincidence peak forecasts and adjustments is needed to provide consistency, accuracy, and equitable results across the ISO region. Evolving issues, such as distributed energy resources, will need a coordinated approach to ensure grid reliability and the ability to adapt to change. However, as noted below, ORA supports oversight of this issue by an independent body in lieu of the ISO. Stakeholders have expressed concern over loss of LSE and local/state forecasting agencies' control.⁸(See response to Question 2.c. below).

ii. Also, if your organization would support or oppose this approach, please describe why this option is preferable or not to your organization.

See response to Question 2.c.

c. If your organization does not support any of these potential options and believes there are other possible proposals that the ISO should consider please provide a detailed description of an alternative approach.

ORA supports a hybrid approach similar to a method used in the Midcontinent Independent System Operator (MISO). The MISO utilizes the State Utility Forecasting Group,⁹ an independent research and analysis group at Purdue University, to develop LSE forecasts. This process provides an independent view for the region and provides transparency into forecasting, assumptions and reliability issues. The options presented in the working group consider LSE or local/state forecasting agency versus ISO control of forecasting issues. Instead, the CAISO should consider a third option: a process similar to that used by MISO involving an entity that is independent of both the LSEs and the ISO.

⁸ See stakeholder Second Revised Proposal comments filed by CLECA, p. 2; CPUC, p.2; ICNU, pp2-3; NCRA pp. 2-3; SDG&E, p. 1. See <http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=E8981E13-7523-4A59-A23E-8EEEE8DF0795>.

⁹ See 2015 MISO Independent Load Forecast available at: <https://www.misoenergy.org/Library/Repository/Study/Load%20Forecasting/2015%20MISO%20Independent%20Load%20Forecast%20Report.pdf>.

However, given stakeholder concerns about the unique features of each LRA, ORA proposes a system where a consensus process develops a balance between LSE flexibility and consistent forecasting methodologies. ORA recommends that control of forecasting in the regional ISO be placed under the jurisdiction of the body of state regulators currently proposed by the CAISO's Proposed Principle of Governance of a Regional Independent System Operator.¹⁰ This structure would allow each entity's concerns to be considered. Similar to the process in California under the guidance of the CEC, an independent multi-state regulatory body should govern the forecasting process. A body of state regulators to oversee and review forecasting, would help to maximize LSE flexibility and input. Issues over consistency and equitable forecasts may be best resolved through state entities which can address state policies on resources such as demand response, energy efficiency, and distributed energy resources. Like MISO, the state body should consider a University or other independent group to provide research and analysis.

3. Please provide any additional comments on the load forecasting working group and proposal.

ORA has no comments at this time.

¹⁰ Available at http://www.energy.ca.gov/sb350/regional_grid/documents/2016-06-16_06-20_documents.php.