

MIC and Imports Working Group

July 20, 2016

- **Issue: Non-coincidental intertie flows**
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 - **Description**
 - **Example**
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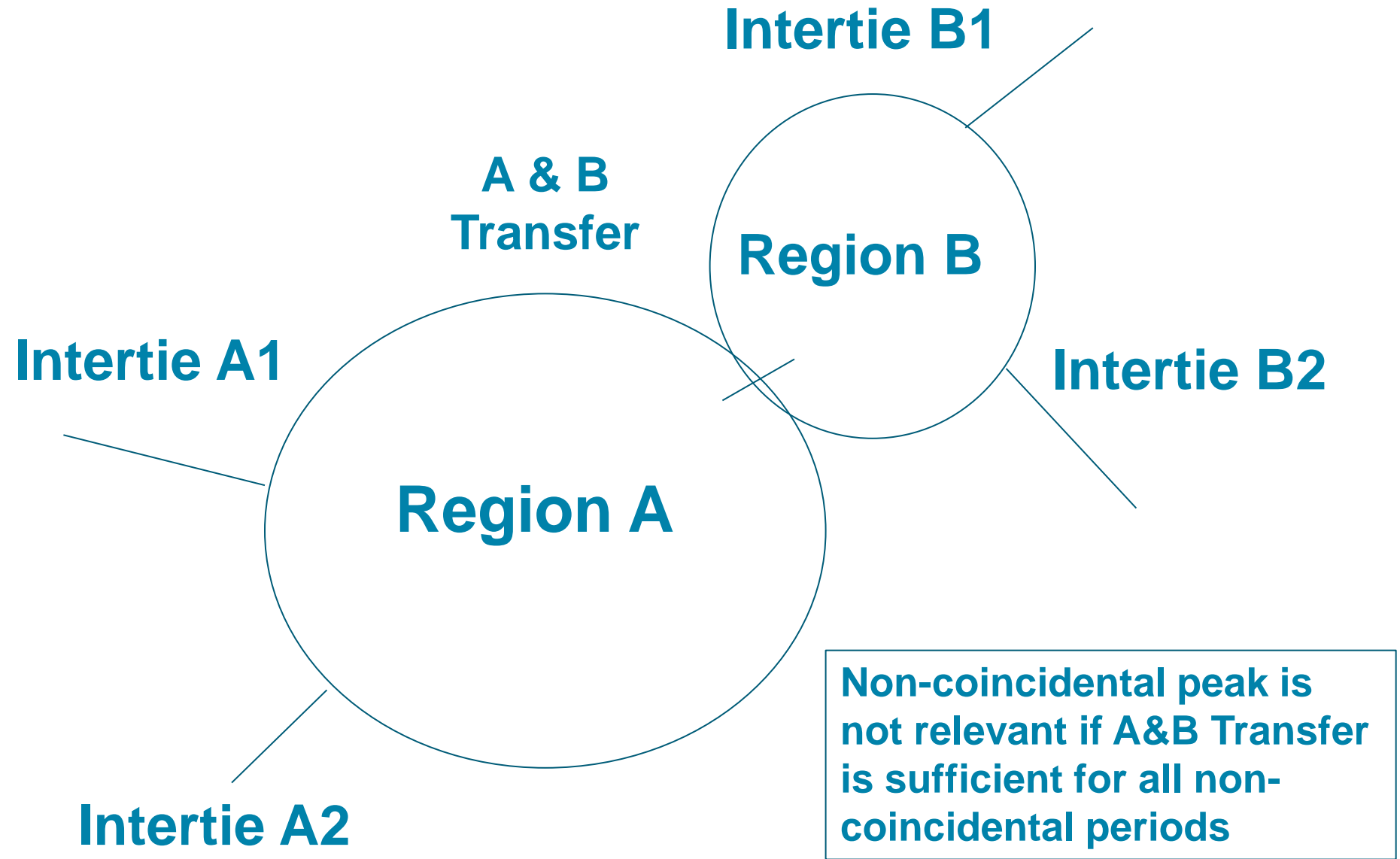
In a perfect system, intertie flows should peak at the same time since they should all contribute to sending energy to highest priced areas.

Possible reasons for non-coincidental intertie flows:

- Balancing areas operating their systems separately
- Internal transmission constraints that can be resolved with limited transmission upgrades and/or purchasing of transmission rights
- Internal transmission constraints that would require significant transmission investment

Without an understanding of the drivers of the non-coincidence, it does not make sense to create a permanent solution.

Issue: Non-coincidental intertie flows





MIC Calculation: PG&E Proposal

PG&E Proposal: Institute a MIC Sunset Period for New Entities

- New entities will initially receive MIC based on non-coincidental peak.
- The amount of MIC would decrease year over year for a set period of time (PG&E recommends a 3 year period)
- After that period ends, all entities receive MIC based on the coincidental peak.
- This sunset date could be based on when a new BAA joins the CAISO. Each time a new entity joins, a new sunset period would be created that is only applicable to the MIC values associated with the new entity.



MIC Calculation: PG&E Proposal

Example

Sunset Calculation	Year 1	Year 2	Year 3	Year 4
New Entity's Non-Coincidental Flows ^{1 2}	10,000	10,000	10,000	10,000
New Entity's Summer Peak Flows ³	7,000	4,000	8,000	7,000
Sunset Percentage	100%	66%	33%	0%
MIC Value calculation Max of (A x C, B)	10,000 * 100%, 7,000	10,000 * 66%, 4,000	10,000 * 33%, 8,000	10,000 * 0%, 7,000
MIC Value	10,000	6,666	8,000	7,000

¹ Flows represent a two year historical average during 90% of Region peak before the new entity joined the CAISO

² Number is static during transitional period

³ Flows represent a two year historical average during 90% of System peak

Other more permanent options to consider:

- Monthly MIC
- Seasonal Deliverability Studies for all resources