

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 to the Second Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on May 26, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 15, 2016**.

Introductory Comments

Public Power Council appreciates the opportunity to comment on the CAISO's *Regional Resource Adequacy Second Revised Straw Proposal* (2d Revised Proposal). PPC is a non-profit trade association that represents the common interests of approximately 100 consumer-owned electric utilities in the Pacific Northwest that are preference customers of the Bonneville Power Administration. Many of PPC's members are located within PacifiCorp's balancing authority area (BAA) both east and west of the Cascades.

Like its predecessors, the 2d Revised Proposal considers very significant issues that affect many of PPC's members. We are particularly concerned that, not only are external resources provided an opportunity to provide capacity and power to LSEs with Regional Resource Adequacy (RRA) requirements, without experiencing undue discrimination, but that the commercial and transmission arrangements and rights of LSEs within the PacifiCorp BAA are honored and retain their current value and utility. We believe that progress is being made towards those goals but additional changes to the proposal and CAISO tariff will be required to get there.

Comments on Specific Questions

1. Resource Adequacy Unit Outage Substitution Rules for Internal and External Resources

No comments at this time.

2. Discussion of Import Resources that Qualify for RA Purposes

We commend the CAISO for adding the issue of using external system resources to meet RRA requirements to this process. External system resources offer very significant value to California and its ability to meet its policy goals. The CAISO has permitted external system resources to be used in its existing RA process, apparently to the benefit of California LSEs and their customers. We suggest that this will continue to be the case in the future if these resources are permitted in the future to participate in the regional markets for RRA purposes. At this time, our only comments are that the definition of “firm” 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 in the CAISO footprint. The definition of firm is a very difficult topic and the West has discussed it for a very long time. We suggest that the CAISO set a workshop for this topic prior to the draft final proposal. We understand the imperatives of the CAISO’s timeline for this process, but the matter requires considerable thought to avoid unnecessary or discriminatory restrictions or unreasonable reliability risks.

3. Load Forecasting

A number of commenters have previously detailed many issues regarding load forecasting, which we will not rehash here. PPC agrees that forecasting is a difficult exercise and providing LRAs flexibility to most accurately forecast their particular loads and resources is the best practice. PPC concurs with comments that the CAISO should restrict its adjustments to forecast results only when those results appear to be clearly out of step with long-term historical trends and data.

With regard to hourly forecasts, however, we encourage the CAISO to consider the value of such forecasts for loads and resources with significant variability related to weather. Weather-created variance can be significant in many areas throughout the West and creating a forecast requires a significant long-term historical data set to produce a reasonable outcome. Getting a forecast for any particular hour, however, would be difficult and the accuracy would be doubtful. For example:

- An inland area near the Rockies with a winter-peaking system may see its peak for a particular day or month at reasonably random times compared to historical actual loads. Predicting the peak load for a day with meaningful accuracy is an impossible exercise a year in advance of the actual weather conditions.
- A hydro generator’s operators must wait for the precipitation and snowpack actuals and forecasts early in the year (generally January) to understand better what the resource’s likely output could be over the remainder of the water year (ending September). Even then, the magnitude and timing of snow-melt and, therefore, the shape of the resource’s output cannot be accurately predicted more than 6-10 days in advance.

In both cases, the ability to forecast weather to predict accurately the arrival of changing weather, particularly when changes are large, makes an accurate forecasts of peak load very difficult. Therefore, PPC believes historic utility practice of providing load and resource

forecasts, with estimated peak demand, can at best be submitted on average for a week or a month.

4. Maximum Import Capability

Maximum Import Capability (MIC) Allocation Methodology Proposal

“[T]he ISO proposes to limit the initial allocations of MIC capability to only those sub-regions of the ISO that are defined by the Regional TAC sub-regions on a load ratio share basis of only the LSEs serving load with those sub-regional TAC areas.” 2d Revised Proposal at p. 17. While, as a general matter, PPC does not object to the proposed restriction of the initial allocations to the sub-region, PPC has concerns about the proposal that MIC be allocated based on a load-ratio share.

Use of load-ratio share to allocate MIC has the potential to upset existing commercial arrangements. Unless all existing rights are qualified as Existing Transmission Contracts and/or Pre-Resource Adequacy (Pre-RA) Commitments, this proposal will not allocate capacity to those existing deliveries and contracts. For illustration, consider the following example: LSEs in PacifiCorp’s BAA may currently import over a particular path 100% of the power to serve their loads. PacifiCorp may import only 10% of the power to serve its loads over that path. Assume also, that the LSEs have rights to 50% of a 100 MW path to import that power. If PacifiCorp constitutes 90% of the load, and the LSEs only 10%, the LSEs will not be allocated enough MIC on that path to meet their firm load and reserve margin needs. The opportunity to later purchase MIC from PacifiCorp or another party is not an acceptable solution as the price could be high or the MIC could be unavailable.

FERC has already ruled that PacifiCorp has market power in its BAA.¹ CAISO policies would restrict imports into the PacifiCorp BAA would exacerbate that situation. This is the case for the proposed allocation methodology as well as the cut-off of Pre-RA Commitments and ETCs. Even without these conditions, it would not be just or reasonable to extinguish these rights.

Establishing a Pre-RA Commitments “Cut-Off” Date

The 2d Revised Proposal states that

Numerous stakeholders have expressed concerns regarding the need to respect current arrangements and maintain viability of current practices and existing contractual obligations.

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¹¹ See Order on Response to Order to Show Cause, *Nevada Power Co., et al.*, 155 FERC ¶ 61,249 (June 9, 2016); Order Denying Rehearing, etc. *Nevada Power Co., et al.*, 155 FERC ¶ 61,186 (May 19, 2016).

The ISO will consider existing contractual rights (ETCs and TORs) and pre-existing commitments (Pre-RA Commitments) under the current MIC process to allow existing arrangements and practices to continue without negatively impacting potential new entrants.

2d Revised Proposal at p. 16. In the MIC proposal, the CAISO states further that

[t]he ISO recognizes that discussion must occur regarding a “cut-off date for considering what existing contractual obligations constitute Pre-RA Commitments under the Available Import Capability Assignment Process for potential new entrants in an expanded BAA. This ISO envisions that this cut-off date discussion should set the Pre-R[A] Commitment cut-off date for all entities in a potential new PTO system that joins the ISO. This process should set the cut-off date at a particular date prior to the related RA process for the upcoming year in which new PTO planned to join the ISO BAA. Stakeholders in the new PTO system, including jurisdictional agencies/LRAs that are involved with LSEs in those areas should be at the table for these discussions.

Id. at p. 18-19. We fully support the goal that existing transmission and commercial rights and arrangements continue in effect after the integration of PacifiCorp as a PTO. CAISO’s assurances regarding Pre-RA commitments are a step in the right direction; the proposal’s failure to deal with ETCs is troubling.

Regarding the Pre-RA Commitment cut-off date, the date should not be any earlier than June 1 in the year in which LSEs in PacifiCorp’s BAA must submit import commitment data for the year in which PacifiCorp commences operations as a PTO. The cut-off should be expressly keyed to that timeframe and should not be stated as a fixed date (*e.g.*, June 1, 2017). As the 2d Revised Proposal notes, the early 2019 integration date is assumed. *Id.* at p. 7. It is not assured. If PacifiCorp or the CAISO slips the start date of those operations for any reason, the cut-off date should slip with it.

It also appears that the CAISO contemplates some form of negotiation among the CAISO, PacifiCorp and the affected LSEs and contract rights holders. PPC believes that the CAISO should set explicit sideboards for these discussions. In particular we proposed that the CAISO mandate that the end result of the discussion will be that the cut-off date must preserve all existing commercial arrangements that are used for current and needed for forecasted future LSE load service and all associated transmission rights used or needed to implement them. This will give LSEs the benefit of their commercial arrangements and investment decisions regarding transmission and resources.

Further clarification would assist stakeholders in regard to the 2d Revised Proposal for the Pre-RA cut-off date.

- Please clarify that the cut-off date being discussed would apply to Pre-RA commitments of entities only within the PacifiCorp BAA. We read the proposal to apply only to those entities, but clarity that this is the case would be useful and narrow the scope of

comments. We disagree that the cut-off date should apply to later-joining PTOs and their customers. Those customers cannot now anticipate that their TOs would join the CAISO. Each PTO that joins should have a date that applies to it and its customers.

- Please clarify that the term new entrants applies only to entities that operate or use transmission services in PacifiCorp's BAA.

With regard to ETCs, the 2d Revised Proposal ignores the CAISO tariff's terms that would extinguish those transmission rights and the central role that ETCs play in the proposed application of MIC. ETCs are valuable and integral assets held by transmission customers and their value is affected by CAISO's proposed application of the MIC calculation and allocation process. ETCs reduce, in effect, the Total Transfer Capability in the calculation of MIC and intertie capability associated with ETCs is specifically reserved for entities that hold the ETCs. As such, issues relating to ETCs are central to the justness and reasonableness of the Regional Resource Adequacy proposal and must be considered carefully and resolved equitably. For LSEs within PacifiCorp's area that are served by BPA, these rights are particularly important as these LSEs rely very heavily on those purchase arrangements to meet their loads. BPA purchases both grandfathered and *pro forma* OATT transmission services from PacifiCorp to serve those loads.

CAISO has an obligation to ensure that its tariff produces just and reasonable outcomes for PacifiCorp's transmission customers. PPC feels very strongly that the CAISO's current tariff definitions of "CAISO Operations Date" in Appendix A must be amended to create a just and reasonable outcome for PacifiCorp's existing transmission customers. Other tariff amendments may also be necessary to achieve that result.

The current definition of "Existing Transmission Contract" in Appendix A of the CAISO tariff restricts the designation of ETC to those contracts in effect on "CAISO Operations Date," which is defined in that document as March 31, 1998. A cut-off date of 1998 is not an acceptable or workable proposal as it would extinguish significant transmission rights held by PacifiCorp transmission customers and by BPA on behalf of its preference customers. Transmission customers invested in transmission and generation on the understanding that PacifiCorp is a *pro forma* OATT transmission provider and that they could gain access to the transmission system through that tariff. It is unreasonable for them to have anticipated that PacifiCorp might someday wish to join the CAISO as a PTO and that their pre-OATT transmission arrangements might gain significant value. It is equally unreasonable for them to have anticipated that choices about the location of generating resources to serve their loads would somehow be jeopardized by a definition in the CAISO tariff.

Further, the application of this cut-off date to PacifiCorp transmission customers is arbitrary in that it is tied to no relevant date or practice as relates to those contracts or to PacifiCorp's entry decades later into CAISO as a PTO. Current practice of setting one date for cut-off worked when all of the California IOUs and other individual systems within California that subsequently joined. In a regional market, the application of a date devised for California participants and overseen by that state and its agencies does not function well in a regional context. The West is a highly integrated transmission system with extensive wheeling arrangements that continue to

evolve as loads grow and resource portfolios change. The potential for commercial disruption is significant.

In BPA's case specifically the CAISO tariff would seek to extinguish the rights of a federal entity that uses those rights to meet its statutory obligations to serve loads of its preference customers in the PacifiCorp BAA. This raises a number of complications. We respectfully suggest that the CAISO acknowledge that its tariff needs to accommodate the continuation of existing transmission rights used to meet these statutory obligations and grant BPA status as an LSE under the tariff for service to those preference customers for purposes of the CAISO tariff.

The concerns about this issue have not been eased by CAISO and PacifiCorp's failure to account for existing OATT and grandfathered rights into constrained areas in the PacifiCorp system in either the previous analysis or the analysis laid out in the 2d Revised Proposal. Rather, it seems apparent that without granting status to existing transmission arrangements, MIC will not be available for service to BPA's customers. In order to clarify whether this is the case, we request that the analysis presented in the 2d Revised Proposal account for all existing transmission arrangements so that we can better understand what additional transmission capability might be available through the MIC process. The vast bulk of the information regarding existing transmission rights needed to conduct that analysis is available on PacifiCorp's OASIS page or can be obtained from customers. If their permission is needed, PacifiCorp can easily ask for it.

5. Monitoring Locational Resource Adequacy Needs and Procurement Levels

No comments at this time.

6. Allocation of RA Requirements to LRAs/LSEs

No comments at this time.

7. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

b. Resource Counting Methodologies for Reliability Assessment

No comments at this time.

8. Other

No comments at this time.