

**Comments of Powerex Corp. on
Regional Resource Adequacy Revised Straw Proposal**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on CAISO’s April 13, 2016 Regional Resource Adequacy Revised Straw Proposal. In the Revised Straw Proposal, CAISO sets out changes to its tariff that it believes are necessary to extend the existing resource adequacy construct to PacifiCorp and any other external transmission providers that elect to join the CAISO as Participating Transmission Owners.

In comments on earlier versions of CAISO’s proposal, Powerex and other stakeholders suggested steps that CAISO could take to ensure that the regional resource adequacy construct adopted in this initiative serves the interests of those entities joining the expanded RTO footprint. For instance, Powerex encouraged CAISO to provide additional transparency into the efficacy of its existing resource adequacy construct, including whether the existing program has resulted in the competitive, least-cost, and non-discriminatory procurement and commitment of resource adequacy capacity. Other stakeholders have encouraged CAISO to delay the development of a regional resource adequacy model until the development of a regional governance structure is completed to ensure that the concerns of all states, including California, are reflected in any proposal adopted in this proceeding.

While CAISO has expressed its appreciation for these comments, CAISO has stated that such suggestions are beyond the scope of the current proceeding. In particular, CAISO has stated that the “intent of this initiative is to extend the existing construct of the RA program to a regional stage with the focus of proposals on only those ‘need to have’ and most necessary changes.” Similarly, CAISO has stated that it does not believe the governance of a “regional ISO must be fully resolved before policy changes can be designed to support a regional market.”

Powerex understands CAISO’s desire to limit this proceeding to identifying only those tariff changes that are absolutely necessary for regional expansion, in order to continue to move forward quickly with the regional expansion of its markets. Powerex also recognizes and appreciates that CAISO has been responsive to stakeholder concerns regarding the pace of this proceeding and has recently extended the timeline for this initiative; it now plans to present a final proposal to the CAISO Board of Governors and Federal Energy Regulatory Commission for approval in Fall 2016. Unfortunately, it appears that CAISO has determined that there is still not sufficient time to engage in an examination of the existing resource adequacy construct set out in its FERC-approved tariff.

Nevertheless, Powerex believes it is important to recognize that the existing resource adequacy construct—both the specific requirements imposed on California load-serving entities by the California Public Utilities Commission (“CPUC”) and the companion tariff provisions in the CAISO

tariff—was developed by, and necessarily reflects the interest of, ratepayers and load-serving entities located in the current CAISO footprint. Moreover, unlike the framework of CAISO’s Day-Ahead and Real-Time Markets for energy and ancillary services, which shares many of the design elements of other RTO and ISO markets operated throughout the United States, California’s existing resource adequacy program is a “made in California” construct. Because California’s resource adequacy program has been tailored to the unique facts, circumstances, and interests of California, it may be that the program neither reflects current “best practices” in market design, nor is well-suited to meeting the diverse interests and needs of stakeholders in an expanded RTO footprint.

Given CAISO’s current target timelines, Powerex does not object to CAISO *initially* moving forward only with making limited changes needed to apply the existing resource adequacy to the integration of PacifiCorp. However, Powerex believes CAISO should also commit, at this time, to engaging in a broader review of the resource adequacy provisions in its tariff once a regional governance structure has been developed. This will provide regional stakeholders and members of the newly constituted governance structure an opportunity to consider whether broader changes to the regional resource adequacy construct would be beneficial to serving the diverse interests of the expanded RTO region.

Concurrent with this commitment, Powerex also encourages CAISO to work with the CPUC to provide additional transparency into the effectiveness of the resource adequacy program. Because there is limited publicly available information and analyses regarding the procurement decisions of California load-serving entities under the existing framework, it can be difficult to assess whether the existing program is meeting its objectives. Releasing additional information in the coming months regarding the costs of meeting existing resource adequacy requirements would help ensure that stakeholders and the members of any regional governance structure have the information necessary to both objectively assess the existing resource adequacy program and to identify additional changes that may be necessary or beneficial. This additional information and analysis may be particularly helpful for stakeholders outside of California, who may not be intimately familiar with California’s existing regional resource adequacy program.