

# Regional Resource Adequacy Initiative Issue Paper

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## SDG&E’s Comments on the CAISO’s December 16, 2015 Stakeholder Meeting Concerning Resource Adequacy in an Expanded CAISO Balancing Authority

### Resource Adequacy (RA) Mechanisms in an Expanded CAISO Balancing Authority

- As was discussed at the December 16, 2015 stakeholder meeting, Load Serving Entities (LSEs) within an expanded balancing authority should be subject to consistent RA obligations.<sup>1</sup> This includes “local”, “system” and “flexible” RA *requirements* as well as the conventions for establishing the portion of (i) each generating unit’s installed capacity, and (ii) the maximum capacity available from demand side management programs, that *counts* towards meeting these requirements.

This is important because the operator of an expanded balancing authority will impose backstop procurement costs on those LSEs who do not procure enough dependable capacity to satisfy the balancing authority operator’s determination of the minimum amounts necessary for reliability. The imposition of backstop procurement costs would undermine the ability of Local Regulatory Authorities (LRAs) to effectively oversee and direct generation and demand side management planning activities of their jurisdictional LSEs.

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<sup>1</sup> For example, inconsistent RA constructs can confer a competitive advantage for an LSE that has load serving obligations subject to the jurisdiction of two different LRAs. Assume LSE 1 has 125 MW of load subject to the jurisdiction of LRA x. Assume further that LSE 2 has 100 MW of load subject to the jurisdiction of LRA x and 25 MW of load subject to the jurisdiction of LRA y. Now assume LRA x adopts a dependable capacity value of 100 MW for a resource and LRA y adopts a dependable capacity value of 125 MW for the same resource. LSE 2 could meet all of its load obligations with the resource while LSE 1, with the same amount of load serving obligation, would have to purchase an additional 25 MW. Inconsistent RA constructs can also confer competitive advantage on certain suppliers. In the example, the resource owner could undercut the bilateral contract prices offered by suppliers whose dependable capacity is rated the same by LRA x and LRA y. The resource owner could effectively subsidize its offer to LSE 1 because it can realize 25 MW of additional capacity revenues from sales to LSE 2.

- SDG&E recommends that the CAISO and PacifiCorp work together to prepare a summary of the LRAs that have authority over LSEs within a merged balancing authority, were that to occur. The summary should identify which LRAs have authority over which LSEs and should describe the basic planning and decision processes that each LRA uses to oversee and direct the generation and demand side management planning activities of their respective LSEs.

The summary would include load forecasting responsibilities and techniques, minimum planning reserve margins, methodologies for determining the dependable capacity of generating units and demand side management programs, and descriptions of any “local” generation requirements and how those requirements are set.

Other balancing authorities, for example NV Energy and Arizona Public Service, should be invited to contribute to this summary. It would be helpful for all stakeholders to have an understanding of which LRAs within the Western interconnection have generation and demand side management planning jurisdiction over which LSEs, and how that jurisdiction is currently exercised.

- As was pointed out by, Ms. Bentley, the Western Power Trading Forum (WPTF) representative, the California Energy Commission (CEC) has agreed to produce a load forecast for the Valley Electric Association (VEA), the only non-California LSE currently within the CAISO Balancing Authority. With this agreement, the CAISO has the ability to base all of its local and system RA assessments on load forecasts that are generated using common assumptions and forecasting methods.

SDG&E suggests that the CEC be consulted to see if it would likewise be agreeable to forecast loads for future expansions of the CAISO Balancing Authority that involve other non-California LSEs.

- The CAISO should allow sufficient time for the above activities to take place. CAISO board-approval in June, 2016 may be premature.