

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 on the Straw Proposal for the Regional Resource Adequacy initiative that was posted on February 23, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **March 16, 2016**.

SDG&E supports the CAISO's proposal to develop rules for resource adequacy (RA) that will work effectively in a multi-state environment. SDG&E does, however, have some questions and concerns regarding CAISO's straw proposal.

Please provide feedback on the Regional RA Straw Proposal topics:

SDG&E agrees that Regional RA initiative should address "need to have" elements. SDG&E believes ISO should request an effective date of when another BAA joins the ISO and not before. SDG&E's comments are based on that effective date.

SDG&E believes it is necessary to have additional details for each element fleshed out before the proposal is presented to the ISO Board of Governors for approval. SDG&E recommends the ISO create additional workshops to develop the additional details or processes required for its "need to have" elements.

The ISO must also consider how its proposal may change current LRAs' RA processes and the timing of regulatory approvals at the California Public Utilities Commission that would need to be adopted in order to align with ISO's new proposal.

1. Load Forecasting

The ISO proposes to require LSEs to submit load forecasts annually to the ISO in order to allow the ISO to estimate the coincident peak.¹ The ISO is not proposing to

¹ Although not clearly specified in the ISO's February 24, 2016 "Regional Resource Adequacy Straw Proposal," SDG&E believes that the intended forecast horizon is limited to the upcoming RA compliance year. If the forecast horizon extends beyond the upcoming RA compliance year, the ISO should be explicit about the forecast horizon and explain why the ISO needs data that reaches beyond the upcoming RA compliance year.

change CEC's process. In response to the ISO's proposal, SDG&E elaborates on the following items.

- i. The proposal indicates that a coincident system load forecast will be created by the ISO based on load forecast data "submitted by LSEs." Does this mean California utilities, rather than the CEC, would submit the load forecasts to the ISO?
- ii. Currently, LSEs in the existing BAA include DR, AAEE and DG in the hourly load forecasts. SDG&E wishes to understand if PacifiCorp includes these adjustments, or any additional forecast adjustments not identified by the ISO, and whether ISO would accept those forecast adjustments in the future.
- iii. The ISO proposal indicates that the ISO will review LSE forecasts and "make adjustments to submitted forecasts" if the LSE "cannot demonstrate their forecast is reasonable." SDG&E requests that the CAISO confirm that a forecast submitted by a California LSE could be adjusted, even if the forecast originated with the CEC.
- iv. SDG&E recommends ISO provide additional details of its forecasting methodology and how it may differ from that of CEC's current methodology
 - a. What threshold percentage factor will be used for divergence?
 - b. What is ISO's target to which it will adjust an LSE's forecast?
 - c. How many years of actual peak loads or historical usage would be included in ISO's review process?
 - d. What standards will be required for all LSEs to ensure forecasts can be evaluated equally?
- v. SDG&E requests the ISO clarify whether the ISO will generate an independent forecast of coincident peak loads for the BAA to use as the guide for "adjusting" the load forecasts of all LSEs. SDG&E notes that an ISO-generated coincident load forecast for the expanded ISO BAA would parallel the ISO's proposal for an ISO-generated system wide planning reserve margin (PRM) for the expanded BAA.

2. Maximum Import Capability Methodology

ISO proposes to calculate maximum import capability (MIC) using non-simultaneous power flow studies to test that the MIC values determined from historical usage "can accommodate all state and federal policy goals." The ISO does not explain how it determines that accommodation of "state and federal policy goals" requires the use of power flow studies. This needs to be explained.

- i. Given that all other portions of the RA framework are based on simultaneous or coincident peak, does calculating MIC based on non-simultaneous power flow base cases make the framework inconsistent?
- ii. Assuming PacifiCorp were to join the ISO, SDG&E requests that the ISO provide a map of the new branch groups of the expanded BAA.
- iii. SDG&E recommends that the ISO determine the MIC for *all* tie points using forward-looking power flow studies rather than historical schedules. The ISO recognizes that "certain areas of an expanded ISO BAA...peak at non-simultaneous times." This suggests that expanded use of power flow studies could reveal significantly increased MIC at many points where the ISO BAA is tied to neighboring BAAs. As California reaches the goal of 50% renewables,

fewer imports may be scheduled during peak load hours and, there may even be exports if the amount of solar generating capacity is large enough. This will reduce historically-based MIC even though the expanded ISO BAA is physically capable of accommodating a much higher level of imports should preservation of grid reliability require such imports.

3. Internal RA Transfer Capability Constraints

The current Path 26 transfer capability is a CPUC construct. The ISO proposes to “build on methodology that is currently being used to address the Path 26 Counting Constraint” and proposes to “identify major internal transfer constraints in an expanded BAA.” SDG&E requests that the ISO confirm whether the ISO’s implementation of the current Path 26 Counting Constraint will be retained as is, or whether the proposal to “build on the methodology” means there could be changes within the existing ISO BAA.

- i. SDG&E requests that the ISO clarify whether its proposal to “identify major internal transfer constraints” could result in a determination that the Path 26 Counting Constraint is no longer needed to ensure the preservation of grid reliability. If ISO’s methodology differs from that of the current Path 26 Counting Constraint, then this change should not become effective until the CPUC retires the Path 26 Counting Constraint or implements a methodology consistent with the ISO’s.
- ii. As a general matter, SDG&E questions the usefulness of zonally-based transfer constraints. On a network system, such as that of the WECC, power flows in accordance with physical laws, not according to the respective locations of the LSE’s loads and the generating resources with which the LSE may have contracted. SDG&E believes a more meaningful assessment of constraints requires the use of power flow studies assuming reasonably probable system conditions.
- iii. Multi-zonal limitations may be very difficult for LSEs to track compared to the current 2 zone limitations. Assuming there are 4 zones, an LSE in zone 1 would receive limitations from zone 4 to zone 3, zone 3 to zone 2 and then zone 2 to zone 1. Currently, the LSE may only need to have MIC at zone 2 and sufficient transfer capability from zone 2 to zone 1. In the expanded BAA, that resource may not fully qualify if the LSE does not have sufficient transfer capability from zone 3 to zone 2. The current MIC process allows the LSE to request more than its load share ratio whereas the internal Path 26 Counting Constraint approach may not.
- iv. The ISO proposes to allow netting of RA contracts across each zone after the baseline allocation calculation. This needs a bit of clarification. Is the proposed netting process different than the CPUC’s current netting process?
- v. Are the netted contracts required to be committed as RA capacity every month because the additional allocation was based on the expected flows of the netted contracts?
- vi. If there are 150MWs of contracts North to South and 100MWs of contracts South to North owned by 6 LSEs, how will the ISO determine which contract is netted and which ones are not?

- vii. SDG&E requests the ISO to provide more detail of its proposed process and respond to SDG&E's above comments in this initiative first, rather than in the Transmission Planning Process in order to have support of stakeholders. The TPP process can continue the study process for future years.
- 4. Allocation of RA Requirements to LRAs/LSEs
 - i. SDG&E requests that the ISO provide RA Requirements to LSEs and LRAs at least 90 days and 120 days, respectively, prior to the deadline for providing the ISO with the year-ahead showing.
 - ii. The allocation of RA requirements should only be available for download on ISO's Customer Interface for Resource Adequacy (CIRA) tool and not exchanged via e-mail. If there are updates to the requirements due to load migration, then the ISO should also be responsible to update that RA requirement as well.
 - iii. SDG&E wishes to understand how the ISO plans to comply with LRA specific allocation rules which may differ from the ISO's generic allocation rules

5. Updating ISO Tariff Language to be More Generic

6. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

SDG&E believes this is a crucial element of the ISO's proposed framework.

SDG&E supports determination of a "system wide PRM" for the ISO's expanded BAA. A system wide PRM would allow the ISO to determine whether there is enough dependable capacity available to the expanded BAA to ensure grid reliability during peak load periods. SDG&E would like ISO to clarify if its PRM will be a minimum for each LRA, for the entire BAA, or both.

SDG&E recommends that the ISO determine the methodology for establishing the system wide PRM, and conduct the PRM study, prior to seeking ISO Board approval of the PRM approach. SDG&E requests that the ISO set additional workshops to discuss the methodology it will use to determine the PRM.

b. Resource Counting Methodologies for Reliability Assessment

SDG&E recommends ISO schedule additional workshops to develop a uniform counting methodology for all resource types.

c. ISO Backstop Procurement Authority for Reliability Assessment

SDG&E believes the ISO's Capacity Procurement Mechanism (CPM) is entwined with the ISO's PRM proposal. It was apparent from the March 2, 2016 stakeholder meeting that the ISO needs to provide stakeholders with more background. The ISO should also detail its new CPM competitive solicitation process that has yet to be implemented.

7. Other

- i. SDG&E would like ISO to provide additional detail regarding how many local areas the expanded BAA would have if PacifiCorp were to join and what constraints cause those local areas to be defined.
- ii. SDG&E would like ISO to also detail if, and how, the ISO's local CPM authority would be integrated with PacifiCorp's Integrated Resource Planning (IRP) process.
- iii. The ISO proposal does not address the ability of the ISO to initiate backstop procurement beyond the time-frame of the upcoming RA compliance period. For example, if it was announced that a significant amount of coal-fired generation would be retired two years beyond the end of the upcoming RA compliance period, under what conditions and with what timing could the ISO impose a Reliability Must Run (RMR) contract to prevent those resources from retiring?
- iv. The ISO proposal references the existing "must offer" requirement for RA resources. How might FERC's recent proceeding regarding West-Wide Must-Offer Requirements affect the must offer requirements for RA in ISO's proposal?