

## Stakeholder Comments Template

### Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
<i>(submitter name and phone number)</i>	<i>(company name)</i>	<i>(date)</i>
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This template has been created for submission of stakeholder comments on the Draft Regional Framework Proposal for the Regional Resource Adequacy initiative that was posted on December 1, 2016. Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **January 11, 2017**.

Please provide feedback on the Regional RA Draft Regional Framework Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.

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Silicon Valley Power (SVP), the City of Santa Clara's electric utility, appreciates the ability to comment on the ISO's Draft Regional Framework Proposal for Regional Resource Adequacy. We are very appreciative of the hard work completed by CAISO staff to address as many concerns from the stakeholder process as possible, and particularly where our previous comments have been addressed in the current proposal.

We are pleased that the CAISO has decided to cease attempting to rush implementation of a Regional Resource Adequacy (RA) requirement, as there is no reason to burden existing CAISO market participants with the new provisions before the regional expansion takes place. Applying tariff changes to existing market participants, while the potential new entrants remain free from CAISO RA requirements, would place unneeded burdens on California Load Serving Entities (LSEs) and could place them at a competitive disadvantage.

As this Regional Framework Proposal is now proposed to remain 'on the shelf,' as it were, for some period of time until the Regional ISO's Governance Board is put in place, we have decided that it is appropriate to provide a summarized version of previous SVP comments in one format. These comments will be available for CAISO staff's use when looking at ways to formulate a

draft Regional RA initiative. Therefore, we have summarized some of our previous comments below under category subheadings.

### ***Conceptual Filings at FERC Prior to Submitting Tariff Language***

The CAISO appears to have moved away from a conceptual filing approach – where such a conceptual filing would occur before the drafting, sharing and eventual filing of related CAISO Tariff language. SVP supports such a change in approach, and encourages the vetting (with stakeholders) of a comprehensive proposal covering related regionalization issues such as governance, greenhouse gas, and regional transmission access charge, including tariff language, before filings are made at the Commission.

The option that had previously been proposed - that would have resulted in a conceptual-type filing prior to submitting tariff language, as done with MRTU in the prior decade – should not be considered as a viable option. The current RA program does not need to be modified unless and until PacifiCorp or some other entity joins the CAISO. Further, filing conceptual proposals on discrete components of the regional process may serve to entrench particular portions of the proposals and constrain the flexibility that will be required to move towards a comprehensive proposal reflecting broader region-wide stakeholder consensus.

### ***RA Requirements***

It is important that LSEs' existing qualifying RA resources do not lose their applicability/countability under the CAISO's proposed zonal methodology. Existing RA resources located outside of an LSE's native load zone(s) must continue to count toward meeting system, local and flexible RA requirements, as applicable, as they do today.

SVP is supportive of the CAISO's proposal to allow RA system capacity requirements, including substitution requirements, to be met with imported resources.

### ***Load Forecasting***

SVP urges the CAISO to ensure that the reporting requirements of LSEs in the load forecasting process be as efficient as possible. Requiring multiple reports over differing time periods to different agencies serves no practical purpose and inhibits LSEs from performing their utility functions in the most effective manner. If the regional ISO does require hourly load forecasts on a one year forward basis, SVP requests that such reporting follow similar formats and request the same data as the forecasts required for the California Energy Commission (CEC) and other regulatory agencies.

While we are pleased that the CAISO has reviewed its previous proposal and has worked to make the forecasting process more appropriate and workable for LSE's, the proposed documentation requirements are overly inclusive, especially because the CAISO has not identified any problems with the current load forecasting mechanisms. SVP asserts that a more reasonable approach is to maintain the current level of documentation, and require additional

forecast information only if there are transparent concerns with a particular forecast on a case by case basis.

SVP prefers a simplified process, such as the one that exists today between the CEC and the publicly owned utilities. Depending on the amount of change or additional details that are eventually agreed upon by the ISO and CEC, LSEs should be given the option of accepting the CEC forecast or submitting its own forecast directly to the ISO.

### ***Maximum Import Capability (MIC)***

SVP reiterates its prior comments that it is important to ensure that the MIC continues to allocate capacity based on existing contractual rights and commitments. SVP seeks and requires assurances that it will be able to obtain (through updated tariff or Business Practice Manual language) sufficient MIC allocations as might be needed in the expanded ISO footprint – as SVP currently receives today (based on grandfathering of its existing contracts and commitments). SVP takes some comfort from the CAISO’s statement that “the proposal continues to give Pre-RA Import Commitment protection at any intertie scheduling point even if it is located in a different sub-regional TAC than the LSE’s native load.” *Regional Framework* at 37. However, the framework does not provide details as to how this would work in practice. Depending on how the details are eventually worked out regarding imports and resource adequacy, SVP submits there may be challenges in allocating MIC based on existing commitments, taking into account existing contracts that involve firming and shaping of resources. At times, the daily scheduling of deliveries under such contracts may involve or result in different energy sources on different days, where such energy sources could be outside of, inside of, or require wheeling through the expanded CAISO footprint.

SVP also supports a transition period for MIC calculation proposal, as it would appear to minimize implementation issues and allow parties time to address questions and complications that may arise.

### ***Reliability Assessment and Planning Reserve Margin (PRM)***

The CAISO’s proposal to allocate backstop capacity costs to LSEs that have not met CAISO’s PRM, rather than the Local Regulatory Authority (LRA)’s PRM, will infringe on LRA control over planning reserve margin and resource counting methodologies for their jurisdictional load serving entities. Because the existing system has functioned well and there is no indication of a need to change, SVP does not support the methodologies proposed. SVP continues to support the statement by the Northern California Power Agency (NCPA) in its objection to any CAISO infringement on the jurisdictional authority of LRAs to determine the planning reserve margins and the resource counting methodologies for their jurisdictional LSEs. Any allocation of backstop capacity procurement should be allocated only to LSEs that have not met their individual RA requirements as established by their LRAs. LSEs that comply with their LRAs’ RA requirements should not receive an allocation of backstop procurement costs.

SVP understands that some LRAs in the Pacific Northwest, portions of which are proposed to become a part of a Regional ISO, plan for average energy and not peak capacity. This is a large difference from what is the case today in California. We believe that this will be a difficult issue to manage in a Regional RA system, if the methodology is to be the same for all participants.

SVP observes that the Loss of Load Expectation (LOLE) analysis technique appears to be a more complicated method that will likely be difficult for market participants to replicate, resulting in a less transparent process. Given that the West appears to currently be experiencing a resource surplus (and with forecasts for this situation to continue for some time), transitioning to a full LOLE methodology may be addressing a problem that we do not currently have, and the added complexity may not be justified under the circumstances.

Notwithstanding the above concern with transitioning to the use of LOLE to establish a PRM, if a LOLE methodology is to be used, more information is needed prior to selecting the specific reliability criterion such as a one day in ten years (1-in-10) LOLE. It is premature to set a criterion prior to the ability to even model the system's performance against the metric. Proper selection of a criterion requires understanding of how loads and resources specific to the area are modelled and the risks and consequences of the selection of a specific criterion. None of these are known at this time. If the decision is to move towards a LOLE metric in setting the PRM, the models must be developed and the reliability of service to load versus the resource cost implications known before selecting a criterion.

During the stakeholder process, the CAISO provided an example showing the PRM increasing from their current level of 115% to 123%. This extraordinarily large increase comes with a potential for a costly rate impact to customers without a commensurate improvement in system reliability. The proposed increase was attributed to a requirement for operating reserves being included in the development of planning reserve margins. It is inappropriate to address operating reserves in the PRM because it results in duplicate coverage of risks that occur in different time horizons – operating reserves address operational risks, while PRM creates resource acquisition targets to addresses the need to cover risks of changes in load and resources. While the example presented was illustrative and did not constitute a specific proposal for a PRM, the example highlights SVP's concern that LRAs should not lose their authority over PRMs, and that such PRMs should reflect the portfolio characteristics and balance the reliability and costs associated with a PRM selection.

### ***Resource Counting Methodologies***

SVP is concerned that different state laws and requirements, such as for the counting of resource adequacy attributes from intermittent resources (the Effective Load Carrying Capacity [ELCC] methodology required by state law in California is an example), could create significant differences in how LRAs/LSEs are able to qualify similar resources for resource adequacy in different subregions of the regional entity.

Individual LRAs will lose the essential local control over their programs on which the RA program has been built if the CAISO uses uniform load forecasting and counting methodologies throughout the entire region.

SVP is supportive of the CAISO's proposal to use ELCC to establish the capacity values for wind and solar resources. This is an important development so that the capacity contribution of such resources can be properly considered in determining whether policy driven transmission upgrades - to access the capacity from such resources - are justified.

SVP is also supportive of NCPA comments opposing the CAISO's intention to replace the current RA program that allows each LRA to establish rules for its jurisdictional LSEs, as to what resources qualify for system RA. As explained in its March 16, 2016 stakeholder comments in this initiative, NCPA strongly opposes any infringement upon the jurisdiction of LRAs. As stated by NCPA, "The current deference allowing local jurisdictional authorities to establish programs for their respective LSEs is a key element to the success of the overall program. Each LSE may have unique resources, planning and procurement strategies and requirements that are driven by the needs of their customers and other conditions, such as environmental goals. There is no reason for CAISO to assume that LRAs outside of the current CAISO footprint are any less responsible than those within the current footprint."

As with NCPA, SVP strongly urges CAISO to harmonize its reliability mandate with LRA policy objectives by keeping the existing policy of providing standard default counting criteria, and allowing LRAs to establish counting criteria for their LSEs. As stated by NCPA in that comment, "By imposing mandatory uniform counting rules through the Reliability Assessment, CAISO effectively precludes LRAs from adopting different counting rules for their LSEs (unless an LRA were to direct its LSEs to procure RA capacity twice (at twice the cost)—once to meet CAISO's Reliability Assessment and once to meet the LRA's policy goals."

### ***Resource Substitution***

SVP supports the ISO's proposal to allow external resources to substitute for internal RA resources experiencing an outage requiring substitution.

### ***Short-Term Capacity Imports***

The CAISO's Department of Market Monitoring (DMM) has stated that the CAISO's proposal, to permit short-term capacity arrangements with external resources to qualify towards meeting up to 10% of an LSE's RA requirements, weakens the efficacy of the existing RA rules without sufficient justification. Although SVP may or may not share the same concerns as the DMM, SVP is concerned that, to the extent this proposal may be perceived to reduce the overall reliability of the Regional ISO footprint, the Regional ISO may seek to mitigate those potential impacts by raising the system-wide PRM. Such a PRM increase could shift costs from those LSEs using short-term capacity arrangements to meet their RA needs to LSEs who meet their RA needs with internal resources, or through long-term arrangements with external resources.