

SouthWestern Power Group Comments on CAISO Regional RA Straw Proposal

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May 4, 2016

Southwestern Power Group (SWPG) appreciates the opportunity to submit comments on the CAISO's April 13, 2016 Regional RA Straw Proposal. SWPG offers the following limited comments on the CAISO's proposal for a zonal system RA requirement.

SWPG understands the challenges associated with scaling the existing CAISO-internal and CAISO-external constraint allocation more broadly to the greater region. The zonal requirements approach seems like a reasonable design to consider further. SWPG's comments are focused on the allocation of import capability under the zonal design. With or without the zonal design, load serving entities (LSEs) will need certainty for contracting for RA services. A significant amount of RA is provided from out-of-state resources, and ensuring that such contracted supplies can satisfy RA needs is an important alignment to ensuring supply contracting is both cost effective and meets the ISO's reliability needs.

In light of this and in considering the straw design offered by the ISO, SWPG has several specific points of feedback.

- Under its proposed zonal requirement design, SWPG understands that the ISO would allocate import capability similar to how it's allocated today in the "MIC" process. The relationship between the current MIC process (especially if internal paths such as path 26 continue to be allocated current to how they are today) and the proposed zonal requirement is unclear. Said otherwise, a full MIC requirement would seem to constrain the imports to a zone so as to effectively satisfy zonal requirements. If the ISO plans to modify the MIC process because of complexities under a regional market, we ask that further information about these modifications be made available.
- SWPG encourages the ISO to consider developing a zonal requirement methodology which allows LSEs to ensure that their out-of-state resources can satisfy their RA needs. Having a process that allocates MIC across the interties, and also allocates import capacity to meet zonal requirements (on a prorata basis) may result in a misalignment of the allocated MIC and the residual needs (e.g., the creation of a residual need even given a large MIC allocation to a zone) for an LSE. It would be beneficial for the ISO to consider a means by which an LSE can express a preference for satisfying how their system RA is counted while the ISO also ensures that zonal requirements are met.
- As part of the Regional RA design, SWPG strongly urges the ISO to determine a method for providing long-term allocations of import capability and, if relevant, zonal requirements. Allocating the ability to import RA to meet RA needs on a year-by-year basis has been an impediment to an efficient bilateral market since the inception of the RA program. The CAISO has carried a multi-year MIC allocation process in its stakeholder catalog for several years and with a high ranking by stakeholders. It would be unfortunate if the ISO considers broad revisions to the RA program for a regional design without also adding a mechanism for multi-year certainty.

SWPG appreciates consideration of these comments and looks forward to further information and refinement of the ISO's design in its next proposal paper.