

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 to the Second Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on May 26, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 15, 2016**.

Please provide feedback on the Regional RA Straw Proposal topics:

1. Resource Adequacy Unit Outage Substitution Rules for Internal and External Resources

Six Cities’ Comments:

The Six Cities support CAISO’s proposal to allow external resources to provide substitute capacity for internal resources that are on a planned or forced outage, provided that the external resource is able to provide capacity that is comparable (in terms of firmness, including necessary MIC allowances, and operating characteristics required for the relevant RA category) to the resource for which it is substituting, as described at page 10 of the Second Revised Straw Proposal. Any substitute resource should be required to comply with the Must-Offer Obligations applicable to the resource for which it is substituting.

2. Discussion of Import Resources that Qualify for RA Purposes

Six Cities’ Comments:

The Six Cities believe that further analysis is required to support consideration of spot market purchases as qualifying to meet RA obligations as discussed at pages 11-12 of the Second Revised Straw Proposal. On first impression, it appears that allowing spot market purchases to satisfy a significant portion of RA obligations likely would

reduce reliability, as there would be no forward commitment to provide any specific amount of capacity. Therefore, there should be careful consideration of the magnitude of RA requirements, if any, that could be met with spot market purchases. However, rules relating to use of spot market purchases to satisfy RA requirements must apply uniformly to all LSEs in the expanded regional BAA.

3. Load Forecasting

Six Cities' Comments:

The Six Cities generally support the approach to load forecasting described at pages 12-15 of the Second Revised Straw Proposal, including the proposal to utilize CEC forecasts for the current CAISO BAA. It is obvious, however, that there are significant challenges to producing hourly forecasts a year in advance. Hourly load forecasts are highly dependent upon daily weather and temperature patterns, and such weather/temperature information cannot itself be accurately forecasted.

Further, the CAISO should be aware that forecasts produced by the CEC are likely to differ from the forecasts that individual LSEs provide directly to the CAISO and to the CEC. It is the Six Cities' understanding that the CEC modifies forecasts furnished to it by LSEs in an effort to account for weather variations, among other factors that may influence loads. To the extent the CEC modifies forecasts submitted by LSEs, the CEC must take responsibility for explaining any differences between CEC forecasts and forecasts provided directly to the CAISO by LSEs.

Finally, the Six Cities seek greater clarity with respect to the metrics and the process the CAISO plans to apply in reviewing load forecasts. For example, what metrics will be subject to MAPE calculations: monthly peak loads, monthly system loads, hour-by-hour load forecasts? How will the MAPE tie to the 4% divergence threshold? And how does the CAISO propose to weather normalize LSEs' historical hourly load data? The Six Cities look forward to addressing these and other technical issues at the June 22nd Load Forecasting web conference in the effort to develop reasonably effective and reliable review criteria based on the divergence threshold that is adopted.

4. Maximum Import Capability

Six Cities' Comments:

The Second Revised Straw Proposal does not explain the proposed treatment of transfer limits on interties that currently have MIC allocations but become internal to the expanded regional BAA. In the absence of a clear understanding of how access to transfer capability on such interties will be made available, the Six Cities are not able to express a substantive position with respect to the MIC proposal at this time.

5. Monitoring Locational Resource Adequacy Needs and Procurement Levels

Six Cities' Comments:

The Six Cities agree with the determination in the Second Revised Straw Proposal to defer indefinitely any further consideration of zonal requirements for RA. However, further information and explanation are necessary with respect to the CAISO's approach for monitoring local RA needs. In particular, the assessment of local RA needs and related determination of any local RA requirements should be based on a methodology that is clearly understood and applied consistently throughout the expanded regional BAA.

6. Allocation of RA Requirements to LRAs/LSEs

Six Cities' Comments:

The Six Cities take no position at this time on this aspect of the Second Revised Straw Proposal.

7. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

Six Cities' Comments:

As expressed in their May 4, 2016 comments on the Revised Straw Proposal, the Six Cities support development of a single regional Planning Reserve Margin for purposes of reliability assessment, establishment of RA requirements, and implementation of backstop procurement if necessary. The Six Cities also support further consideration of a probabilistic approach for determining the PRM. The Six Cities await further information and analysis prior to expressing a position on detailed elements of a probabilistic methodology.

b. Resource Counting Methodologies for Reliability Assessment

Six Cities' Comments:

The Six Cities continue to support consistent application of uniform counting methodologies for reliability assessment.

8. Other

Six Cities' Comments:

Development of a Comprehensive Regionalization Proposal and Appropriate Sequencing of Related Initiatives - - The results of the SB 350 benefits analyses as presented in the May 24-25 meetings compel a reevaluation of the approach to regionalization followed by the CAISO thus far. The CAISO has pursued a number of stakeholder initiatives in parallel and under accelerated schedules in order to facilitate integration of the CAISO and PacifiCorp BAAs beginning in 2020. The results of the SB 350 studies demonstrate that there is no justification for making critical policy determinations in a hasty, piecemeal, and uncoordinated fashion.

At this time, parallel processes are under way to develop policy proposals for a regional Resource Adequacy framework, a regional Transmission Access Charge methodology, and a governance structure for a regional ISO. Evaluation of another critical policy - - implementation of California's Greenhouse Gas reduction program in the context of a regional ISO - - has not yet begun. The CAISO has pointed to the need for policy direction from FERC on the regional TAC, regional RA, and governance by the end of this year to facilitate review by PacifiCorp's state regulators during 2017, so as to support integration of the PacifiCorp BAAs with the CAISO BAA by 2020. As a result of the accelerated schedules for these critical policy developments, key elements (for example, the Transmission Planning Process for the regional TAC and the metrics for a methodology to establish a regional Planning Reserve Margin for the regional RA framework) will be deferred. There will be limited or no time to consider how elements of the various policy determinations may interact with one another. Perhaps most importantly, there will be no ability for the regional governance entity or entities to provide input on the regional TAC and regional RA proposals prior to seeking guidance from FERC on those proposals. Indeed, the Second Revised Straw Proposal at pages 7-8 anticipates that the regional governing body will review the conceptual policy for the regional RA framework after that policy has been evaluated by FERC, which could render the initial filing with FERC outdated and potentially superfluous.

The SB 350 study results do not support a rush to accomplish integration of the CAISO and PacifiCorp BAAs by 2020. The study results show that benefits to California from integrating the PacifiCorp BAAs in 2020 will be approximately \$16 million, a *de minimis* figure in the context of the overall CAISO markets, unless PacifiCorp pays a load ratio share of the Grid Management Charge. But at the June 16, 2016 workshop on the GMC, a PacifiCorp representative stated that it would not realize sufficient benefits to its customers in 2020 to justify paying a load ratio share of the GMC. Hasty, incomplete, and uncoordinated development of policies for regional integration creates risks of adverse unintended consequences and waste of CAISO, stakeholder, and regulatory resources that far outweigh any expected benefits in 2020 from integrating the CAISO and PacifiCorp BAAs.

The SB 350 study results for 2030, however, based on expanded regional integration, identify the potential for more significant benefits to California. The Six Cities support further efforts to accomplish regional integration on a broad basis that will result in equitable sharing of benefits among all participants. To that end, the Six Cities support a sequenced and comprehensive approach to the development of necessary policies, beginning with development and implementation of a governance framework. With input from the regional governing entity or entities, development of complete policies for the regional TAC (including the Transmission Planning Process), regional RA rules (including, among other necessary components, the methodology for determining the regional PRM), and implementation of California's GHG objectives in the context of a regional ISO should follow. The goal should be to develop a coordinated and comprehensive proposal for regional integration that will have broad support not only among stakeholders in the CAISO and PacifiCorp BAAs but also among stakeholders in BAAs throughout the western region.