

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative – Working Group, July 21, 2016

Submitted by	Company	Date Submitted
Bonnie Blair 202-585-6905	Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California	August 2, 2016

This template has been created for submission of stakeholder comments on Working Group for the Regional Resource Adequacy initiative that was held on July 21, 2016 and covered the topics of Maximum Import Capability, Imports for RA issues, and Uniform Counting Rules. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **July 29, 2016**.

Please provide feedback on the July 21 Regional RA Working Group:

1. Maximum Import Capability (MIC) calculation methodology proposal
 - a. Do you support the ISO's proposal to modify the methodology for calculating the MIC values in an expanded BAA for use in limited circumstances to reflect situations where a PTO that joins the ISO has a need to serve its peak load that occurs non-simultaneously with the rest of the system and when there are no simultaneous constraints between certain areas of an expanded ISO BAA? If not, why not?

Six Cities' Comments: The Six Cities take no position at this time concerning potential modification of the MIC calculation methodology.
 - b. Do you support a transition period or transitional mechanism for this MIC calculation proposal?
 - c. Please provide any further details or positions on the ISO's proposal to modify the methodology for calculating the MIC values in an expanded BAA.
2. MIC allocation methodology proposal
 - a. Do you support the ISO's proposal to modify the methodology for allocating the MIC to LSEs in an expanded BAA, in order to limit initial allocations of MIC capability to

particular sub-regions of ISO that would be defined by the Regional TAC Options sub-regions? If not, why not?

Six Cities' Comments: As the Six Cities have made clear in their comments in the Regional TAC Options initiative, the Six Cities do not support the current version of the CAISO's proposal for a regional TAC. If, however, TAC sub-regions are adopted, the Six Cities support the general concept of aligning the methodology for allocating MIC with the TAC framework.

- b. Do you agree that splitting of the initial MIC allocations among sub-regions, combined with the ability to bilaterally transfer MIC between the Regional TAC Options sub-regions and the final Step 13 ability to nominate any remaining MIC anywhere in the footprint will properly balance MIC allocation method needs for an expanded BAA? If not, why not?
 - c. Do you support a transition period or transitional mechanism for this MIC allocation proposal?
 - d. Please provide any further details or positions on the ISO's proposal to modify the methodology for allocating MIC in an expanded BAA.
3. Substitution of internal Resource Adequacy resources with external resources
- a. Do you support the ISO's proposal to allow external resources to substitute for internal RA resources experiencing outage requiring substitution?

Six Cities' Comments: The Six Cities support the 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.

- b. Do you believe that one of the conditions of allowing external resource to substitute for internal RA resources should be that the external resource has similar operating characteristics of the outage resource? If so, how would the ISO determine the external resource substitute has similar characteristics?

Six Cities' Comments: See the response to sub-part 3.a above. The CAISO should be able to confirm that a Scheduling Coordinator designating an external resource to substitute for an internal RA resource on outage has the MIC allowance necessary to support deliverability of the substitute resource. In addition, the Six Cities suggest that the CAISO require an attestation, at the time the external substitute resource is designated, that the substitute resource is capable of complying with the Must-Offer Obligations applicable to the resource for which it is substituting. If the substitute resource does not comply with the applicable Must-Offer Obligations, it should be subject to RAIM penalties.

- c. Please provide any further details or positions on substitution of internal Resource Adequacy (RA) resources with external resources.

4. Import resources that qualify for Resource Adequacy

- a. Do you agree that the rules for import resources qualifying for RA should be clarified in order to remove ambiguity from the Tariff?

Six Cities' Comments: Yes.

- b. Do you believe that there should be a role for bilateral spot market energy purchases or short-term firm market energy purchases procured outside of the ISO BAA to qualify for RA meet a portion of an LSE's requirements? If so, why? If not, why not?
 - i. If you believe that some types of energy-only transactions should qualify for RA purposes, should there be a limit or cap on the volume that individual LSEs could utilize those resources for RA purposes?
 - ii. How could the ISO actually analyze the reliability that would be provided with various levels of these energy transactions being used to meet RA requirements?

Six Cities' Comments: The Six Cities remain concerned that allowing spot market energy 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. It is conceivable that the CAISO could allow a small portion of system RA requirements (but not Local or Flexible RA obligations) to be satisfied by spot market energy purchases based upon a determination that the overall capacity available to the market should be sufficient to ensure availability of energy during peak periods. Any such determination should be based on careful analysis of installed capacity, market structure, and potential alternatives for disposition of the output from the uncommitted capacity.

Short-term firm (including unit contingent) energy purchases contracted for prior to the T-45 day deadline for submission of monthly RA showings would be less likely to reduce reliability and could be allowed to provide some portion of monthly RA requirements; short-term firm energy purchases arranged after the T-45 deadline for monthly RA showings should be treated the same as spot market energy purchases for purposes of the monthly showing, except where short-term firm (including unit contingent) purchases are designated as substitute capacity for a resource on outage. For annual RA requirements, however, the limit on eligibility to satisfy RA obligations through energy only purchases should be applied jointly to spot market energy purchases and all short-term firm energy purchases. As a hypothetical example, if the CAISO determined, based on a market analysis as described generally above, that it would be consistent with reliable operation of the grid to allow LSEs to rely on energy purchases to satisfy up to 5 percent of annual RA obligations, then the 5 percent limit should apply to the sum of anticipated spot energy purchases and short-term firm energy purchases.

- c. Please provide any further details or positions on import resources qualifying for RA purposes.

Six Cities Comments: Rules relating to use of spot market or short-term firm (including unit contingent) energy purchases to satisfy RA requirements must apply uniformly to all LSEs in the expanded regional BAA. Inconsistent application of eligibility requirements for RA resources would create obvious opportunities for capacity leaning.

Furthermore, in response to the CAISO's request for stakeholder comments regarding import resources qualifying for Resource Adequacy, CAISO clearly defines "firm" transmission, as shown on slide 34-35 of the presentation, but does not clearly define "firm" generation in either the Second Revised Straw Proposal or the presentation. On the other hand, WECC defines five (5) unique types of "firm" generation¹, some of which can be interrupted based on contractual arrangements. Six Cities believe only resources designated as "Firm Energy" and "Firm Contingent" should qualify for import Resource Adequacy based on the approved WECC definitions. Firm Energy cannot be curtailed except for reliability conditions, while Firm Contingent cannot be curtailed unless the specified resource is derated or is offline. Firm Contingent resources are comparable to individual resources located within the CAISO BAA in the sense that they are available to provide energy unless they are derated or subject to outage. In the case of either Firm Energy or Firm Contingent purchases, energy subject to these designations cannot be interrupted for economic reasons, and in the event of a derate or outage, RAIM charges would apply. Thus, Six Cities request that CAISO clarify and define the meaning of "firm" generation using the WECC definitions as a basis.

¹ As found in [WECC Criterion INT-018-WECC-CRT-1.2](#) and the [WECC Glossary of Terms and Naming Conventions](#).

5. Uniform counting rules proposal

- a. Do you agree with the ISOs proposal to use the Pmax methodology for most thermal resources and participating hydro? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- b. Do you agree with the ISOs proposal to use ELCC to establish the capacity values for wind and solar resources? If not, please specify why not. Are there elements that require additional detail prior to a policy filing?
- c. Are there any element of an ELCC methodology that must be established prior to the ISOs policy filing?
- d. Do you agree with the ISOs proposal to use the historical methodology for run-of-the-river hydro, and Qualifying Facilities including Combined Heat and Power? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- e. Do you agree with the ISOs proposal to use the registered capacity value methodology for load based capacity products such as PDR, RDRR, and Participating Load? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- f. Do you agree with the ISOs proposal to use the registered capacity value methodology for Non-Generator Resources (NGR) and pumped hydro? If not please specify, why not? Are there elements of this methodology that require additional detail prior to a policy filing?
- g. Are there any additional uniform counting rules that should be developed prior to the ISOs policy filing?

Six Cities' Comments: The Six Cities continue to support consistent application of uniform counting methodologies for reliability assessment and eligibility of resources to satisfy RA requirements.

The detailed methodologies for *all* elements of the regional RA framework, including counting rules and the ELCC methodology, should be worked out prior to any “policy filing” by the CAISO. The SB 350 benefits analyses for 2020 demonstrate that any benefits to California of integrating the CAISO and PacifiCorp BAAs in 2020 are extremely modest at best and *de minimis* unless PacifiCorp pays a full load ratio share of the GMC, which it has announced it is not willing to do. All elements of the regional RA program should receive measured and careful consideration for whatever time is necessary. Development of the regional RA framework should not be subject to artificially imposed time constraints that not only are unjustified by any reasonable expectation of near-term benefits but also could undermine the goal of achieving a widely supported and durable framework for expanded regionalization in due time. The counting rules are a good example of details that could make the difference between a widely accepted regional RA framework versus one that could lead to prolonged controversy and potential limitation of the regional ISO footprint. It will much better serve the ultimate goal of establishing a broad-based regional ISO by 2030 to build the framework for the expanded regional ISO in a carefully considered and coordinated fashion with input from all interested stakeholders. Throwing together an uncoordinated hodge-podge of high-level policy points that lack important implementation details is more likely to prolong the process of building a durable and expansive regional ISO, may drive potential participants away, and certainly will impose greater resource burdens on the CAISO and market participants.