August 16, 2019

COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE STRAW PROPOSAL IN THE DELIVERABILITY ASSESSMENT METHODOLOGY STAKEHOLDER INITIATIVE

In response to the CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") provide their comments on the Straw Proposal in the Deliverability Assessment Methodology Revisions initiative. As discussed below, the Six Cities do not support the aspects of the Straw Proposal related to the evaluation and mitigation of curtailment risk resulting from the revised assumptions the CAISO proposes to use in the deliverability assessments. As explained in their prior comments, however, the Six Cities do not object to the revised assumptions themselves, including, specifically, the CAISO's proposal to study deliverability according to a highest system need scenario and a secondary system need scenario. The Six Cities reiterate their request for information from the CAISO regarding the expected impacts of the revised deliverability study assumptions on Resource Adequacy qualifications and requirements.

The Six Cities' principal concerns with the Straw Proposal are related to the "non-summer peak scenario" (or off-peak) deliverability assessments that the CAISO proposes to perform as part of the resource interconnection process. Although the Six Cities do not inherently object to the CAISO performing studies in order to provide information to interconnecting resources about potential curtailment risks,[1] the CAISO's preferred approaches (particularly "Option 4" and "Option 5") for assigning the costs of any resulting local network upgrades have not been fully fleshed out. In particular, the CAISO's proposals to allocate the costs of such upgrades to transmission customers do not appear to be justified. Certainly absent further details regarding these proposals, the Six Cities do not support either of these options.

As an initial matter, it is not clear why interconnection customers should have the discretion to impose on transmission customers the costs of network upgrades whose primary purpose is to avoid adverse economic consequences (*i.e.*, curtailment) to interconnecting resources. For example, the CAISO proposes under Option 4 that Off-Peak Local Network Upgrades ("OLNUs") funded by interconnection customers will be reimbursable to the funding customer up to an unspecified cap, while under the Option 5 scenario, OLNUs will be fully reimbursable. If an interconnection customer wishes to avoid what it may deem to be excessive levels of curtailment, then the customer should be responsible for the cost of funding upgrades to achieve that result.[2] Is there data that would illuminate the scope of the anticipated curtailment and the potential impact to consumers? *See, e.g.*, Straw Proposal at 7 (noting that "renewable

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[1] As the Six Cities have noted previously, the studies should be funded by the interconnection customer consistent with Sections 3.2(d) and 3.5.1.2 of the Generator Interconnection and Deliverability Allocation Procedures and should not unduly delay the interconnection process.

[2] The CAISO dismisses as non-viable its Option 3, whereby a developer would receive merchant CRRs in exchange for such funding, with no reimbursement. *See* Straw Proposal at 11. It is not clear why the CAISO believes this approach is not viable, especially if congestion levels on certain paths are altered under the CAISO's revised deliverability methodology.

generation curtailment *could* increase which would ultimately directly or indirectly increase costs for consumers *to some extent*") (emphasis added).

With respect to Option 5, the Six Cities are unclear as to the basis for the CAISO's proposal to assign self-scheduling priority to interconnecting resources that elect to initially fund OLNUs when, again, those OLNUs are reimbursable. Why is the CAISO providing a scheduling priority for resources that are not ultimately bearing the costs of the OLNUs, but are merely providing up-front financing? A scheduling priority along the lines of what the CAISO proposes would make more sense in the context of OLNUs that are not reimbursed by transmission customers.

In addition to these concerns, the Six Cities have questions relating to several aspects of the CAISO's Straw Proposal:

OLNU Cost Caps: With respect to the cost caps for OLNUs proposed as part of Options 3 – 5, the CAISO suggests that the caps will be established at the lower of the Phase I and Phase II studies. However, the CAISO also proposes that in Phase I, each interconnection customer will be assigned the full cost of the OLNUs, while at Phase II, the costs of the OLNUs will be allocated.[3] Unless the CAISO identifies significantly more (or more costly) OLNUs between Phase I and Phase II, the cap for individual interconnection customers is likely to be established in the Phase II studies, even if a subsequent reassessment results in a higher allocation. Is this the CAISO's intention and, if so, why are the OLNU cost caps not set at the higher of the Phase I and Phase II results? Or is it the CAISO's intention to apply the cap to the aggregate OLNU cost as between Phase I and Phase II, but not to provide interconnection customer-specific caps? Finally, how will OLNU costs in excess of the cap be allocated?

Option 4 Reimbursement Cap: According to the CAISO's stakeholder presentation (at slide 31), adopting a reimbursement cap will "protect rate-payers and motivate prudent decision[s] by the ICs." How will the CAISO determine what level of reimbursement cap will accomplish this? Will the cap be set as a fixed $/MW or will the cap be set as a percentage (*i.e.*, 50%) of the interconnection customers' OLNU cost?

Option 5 Scheduling Priority: In general, the scheduling priority concept within Option 5 requires further development, including with respect to the following:

- How will the proposed scheduling priority be implemented?
- What scheduling priority will existing resources have?
- What will be the curtailment priority for resources that have funded OLNUs relative to other types of self-schedules?
- How will the CAISO decide on curtailment levels among resources having equal scheduling priority?

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[3] The CAISO Straw Proposal discusses this at pages 23-24 for Options 4 and 5.

- Does the CAISO expect to see an increase in self-schedules as a result of its proposal and, if so, is this result desirable?

Additionally, as noted above and in their previous comments, stakeholders would also benefit from information regarding the potential impacts on the level of Net Qualifying Capacity for resources as a result of the change in deliverability assessment. What are the expected effects of potential increased congestion on resource adequacy resources, especially existing resources?

In light of the foregoing questions and concerns, the CAISO's goal of issuing a Draft Final Proposal to present to the CAISO Board of Governors during its September meeting appears to be unrealistic. The changes the CAISO is proposing, particularly with respect to OLNUs, are complicated and likely will entail significant tariff revisions, particularly related to interconnection procedures. The Six Cities also urge the CAISO to consider the impact of its proposals in this initiative on other pending and recently completed initiatives, including Resource Adequacy Enhancements and the 2018 Interconnection Process Enhancements. These issues will require appropriate time to carefully evaluate, and, by failing to take adequate time to consider these issues now, the CAISO may increase the likelihood that stakeholders will be compelled to protest the CAISO's not-fully-vetted proposal and tariff revisions when they are filed at FERC. To thoroughly address the proposal to create a new category of network upgrades and the related cost allocation, which is potentially contentious, it likely will be necessary for the CAISO to extend the timeframe for completion of this initiative.

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