

Technical Bulletin

2011-08-01

**Use of ETC or TOR Import Capacity Held by
an Out of Balancing Authority Area Load
Serving Entity to Provide Resource
Adequacy Capacity to an
ISO Load Serving Entity**

August 26, 2011

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Introduction

Section 40.4.6.2 of the ISO tariff governs how import transmission capacity on interties into the ISO balancing authority area can be used by ISO load serving entities to procure resource adequacy capacity from external resources and count such capacity towards their resource adequacy requirements. Section 40.4.6.2.1 specifies the annual process whereby the ISO determines the maximum import capability for resource adequacy purposes on each intertie, and then allocates that capacity to ISO load serving entities for use in meeting their resource adequacy requirements. Step 2 of this process directs the ISO to determine that portion of the maximum import capability on each intertie representing capacity held under transmission ownership rights (TORs) or existing transmission contracts (ETCs) by out-of-balancing authority area load serving entities (OBAALSEs), *i.e.*, load serving entities that serve load outside of the ISO balancing authority area. The ISO sets this capacity aside so that it is not included in the available import capacity on each intertie that the ISO can allocate to ISO load serving entities through subsequent steps in the process. The ISO tariff does not further consider the capacity represented by ETCs and TORs held by OBAALSEs in the context of resource adequacy.

This technical bulletin describes the general process whereby import capacity held by an OBAALSE under ETCs or TORs, *i.e.*, import capacity on an intertie that does not count as available import capability under tariff section 40.4.6.2.1, may be utilized by a resource located outside of the ISO balancing authority area to provide resource adequacy capacity to an ISO load serving entity. The ISO load serving entity would then be able to count such capacity towards meeting its resource adequacy requirements.¹

Description of the Process

There are two primary components of the process addressed in this technical bulletin.

1. The arrangement between a resource owner external to the ISO balancing authority area and an OBAALSE that holds TOR or ETC import capacity through

¹ This technical bulletin is intended to describe a mechanism recognized by the ISO as consistent with the current provisions of the ISO tariff. This technical bulletin is not intended to provide – and should not be relied upon as providing – an ISO opinion as to whether specific arrangements entered into by parties are consistent with applicable law or the ISO tariff, or are sufficient to enable a load serving entity to count a resource towards meeting its resource adequacy obligations.

a specific intertie that enables an ISO load serving entity to procure resource adequacy capacity from the external resource and to count the capacity towards meeting its resource adequacy requirements; and

2. Recognition by the ISO, through the transmission rights and transmission curtailment (TRTC) instructions, of the arrangement between an external resource owner and the OBAALSE with respect to the use of the ETC or TOR capacity for resource adequacy purposes. In the case of TOR capacity, the TRTC would indicate that the scheduling coordinator for the external resource is authorized by the OBAALSE to utilize the TOR to schedule energy into the ISO system at the relevant intertie in fulfillment of the resource adequacy contract. In the case of ETC capacity, the TRTC would specify a reduction in the ETC holder's utilization of the ETC rights so that the transfer capability associated with the resource adequacy capacity procured by the ISO load serving entity becomes available for energy scheduling through the ISO markets.

1. Transaction between an OBAALSE and an external resource owner involving ETC or TOR import rights at an intertie that allow an ISO load serving entity to count the external resource towards its resource adequacy requirements.

This component of the process refers to the ISO's annual procedure for allocating import capability to load serving entities to enable these entities to meet their resource adequacy requirements, which is governed by ISO tariff section 40.4.6.2, Deliverability of Imports. Under this section of the ISO tariff – particularly section 40.4.6.2.1, step 2 – an OBAALSE's ETC or TOR import rights are set aside before determining the available import capability on each intertie that can be assigned to ISO load serving entities under the remaining steps 3-13. An owner of a resource external to the ISO has the ability at any time to seek to obtain the use of such transmission capacity from an OBAALSE ETC or TOR holder in accordance with the applicable tariffs, agreements, and other applicable requirements, including any required authorization by the Federal Energy Regulatory Commission. To the extent an external resource owner obtains the use of such capacity from an OBAALSE in a manner that allows the external resource owner to provide resource adequacy services from that capacity across an intertie, the ISO agrees that such capacity can be recognized for resource adequacy counting purposes through the established mechanism for resource adequacy showings by ISO load serving entities.

The amount of resource adequacy capacity the ISO load serving entity is able to count towards its resource adequacy requirement will in general depend on additional factors besides the amount of import capacity provided by the OBAALSE. For example, with respect to California Public Utilities Commission ("CPUC") jurisdictional load serving entities, the amount of resource adequacy capacity for which the external resource could qualify would be subject to the CPUC counting rules for qualifying capacity. Based on the requirements the CPUC follows to set qualifying capacity and the procedure the ISO follows to determine the net qualifying capacity of a resource adequacy resource, the ISO anticipates that the amount of resource adequacy capacity that the ISO load serving entity could count as a result of the arrangement described in this technical bulletin would be the minimum of the CPUC-determined qualifying capacity of the facility or the

amount of ETC or TOR import capacity provided by the OBAALSE under its arrangement with the external resource owner.

The ISO load serving entity would report in its resource adequacy plan that it has a supply agreement with an external resource, and that that resource has entered into a contractual arrangement with an OBAALSE that makes available ETC or TOR import capacity already reserved under step 2 of section 40.4.6.2.1 of the ISO tariff. This set-aside capacity would thus become eligible for resource adequacy counting purposes as a portion of the ISO load serving entity's load ratio share of import capacity allocated in accordance with steps 3-13 of section 40.4.6.2.1 of the ISO tariff. This approach would enable the ISO load serving entity to ensure that the import capacity made available by the OBAALSE would remain available from year to year, for the duration of the arrangement between the external resource owner and the OBAALSE, as long as the associated ETC or TOR remains in effect. In addition, the owner of the external resource would include in its resource adequacy supply plan submitted to the ISO the relevant information about its provision of resource adequacy to the ISO load serving entity and the arrangement it has made with the OBAALSE for the use of the ETC or TOR import capacity.

2. Recognition of the OBAALSE ETC or TOR import capacity for resource adequacy purposes through the transmission rights and transmission curtailment instructions.

In order for the ISO to recognize the resource adequacy capacity made available to an ISO load serving entity by an external resource owner as described above, the party that submits the transmission rights and curtailment instructions (TRTC) for the ETC or TOR would utilize the "Operating Instructions" field of the TRTC template to inform the ISO that some or all of the OBAALSE's maximum import scheduling capacity at the intertie has been made available to the resource owner. This instruction would specify the MW amount of the OBAALSE's import rights that the OBAALSE is providing to the external resource owner as described above for the purpose of providing resource adequacy capacity to the ISO load serving entity. This specification in the TRTC would constitute acknowledgment by the OBAALSE rights holder of its arrangement with the external resource owner and serve as authorization for the ISO to recognize the ISO load serving entity's nomination of the external resource for resource adequacy purposes at the associated intertie by virtue of this capacity. The external resource owner and the ISO load serving entity should separately notify the ISO of their intention to utilize the mechanism described in this technical bulletin with respect to this amount of capacity so that the ISO may correlate the TRTC instruction process with the resource adequacy process.

The scheduling coordinator for an external resource that supplies resource adequacy capacity to an ISO load serving entity under the approach described in this technical bulletin will be required to comply with all relevant provisions of section 40 of the ISO tariff, including the obligation to make that capacity available to provide energy and, where applicable, reserve capacity through the ISO markets. For this purpose the "Operating Instructions" field of the TRTC would also contain additional information that would differ as described below depending on whether the arrangement uses TOR or ETC capacity.

Use of TOR Capacity

An external resource owner that enters into an arrangement with an OBAALSE for import capacity held as a TOR must ensure that the TOR holder designates, through the TRTC process, the scheduling coordinator for the resource as a party eligible to utilize the contract reference number (CRN) associated with the TOR for scheduling imports into the ISO, and indicates the maximum MW amount of the OBAALSE's import rights at the relevant intertie that the scheduling coordinator may use for the purposes outlined in this technical bulletin. The scheduling coordinator for the external resource will then use this CRN in conjunction with schedules it submits to the ISO markets in accordance with the tariff provisions for scheduling the use of TOR capacity. This in turn would enable the external resource to comply with its offer obligations as a supplier of resource adequacy capacity under section 40 of the ISO tariff. The MW quantity designated in the TRTC as the maximum amount that can be scheduled by the scheduling coordinator for the external resource under the TOR CRN must be equal to or greater than the MW amount of TOR import capacity the OBAALSE is providing to the external resource to enable the resource to provide resource adequacy capacity to the ISO load serving entity. The use of a CRN in this manner is identical with the process currently employed by the ISO to account for third party rights, and nothing in this technical bulletin is intended to alter the ISO's practices with respect to the issuance and transfer of CRNs.

Use of ETC Capacity

An external resource owner that enters into an arrangement with an OBAALSE for capacity held as an ETC that is then counted by an ISO load serving entity toward its resource adequacy obligations as outlined in this technical bulletin would not obtain a CRN as described above. Rather, the TRTC would specify, in the "Operating Instructions" field, a reduced maximum import scheduling amount that will be available to the OBAALSE under the ETC, such that the MW difference between the OBAALSE's total import capacity rights on and through the intertie under the ETC (specified elsewhere in the TRTC) and the reduced maximum amount specified in the "Operating Instructions" field of the TRTC equals the MW amount of the (40.4.6.2.1) Step 2 set-aside that the OBAALSE is providing to the external resource. This MW difference would then become available transmission capacity in the ISO markets to be utilized for open-access scheduling in the same manner as other non-ETC and non-TOR transmission, *i.e.*, new firm use. Thus the scheduling coordinator for the external resource owner would not obtain any scheduling right or priority associated with the ETC import capacity acquired under this arrangement.

Impact of the ETC arrangement on the availability of congestion revenue rights (CRRs)

Tariff sections 36.4 and 36.4.2 describe how the ISO represents ETC and TOR capacity in the network models used for the annual and monthly releases of CRRs. Once the CRR team receives the most recent full network model to be used for the upcoming CRR release and modifies it as needed for purposes of the CRR optimization (*i.e.*, for use in the simultaneous feasibility test or "SFT"), the team then represents the encumbrances on the grid due to ETCs and TORs by applying CRR options for TORs

and CRR obligations for ETCs in a pattern of source-sink pairs and MW quantities for each source-sink pair that is based on the pattern and MW amount of scheduling rights specified in the ETC and TOR contracts as well as, in the case of ETC rights, on the expected use of these rights by the ETC rights holders. The ISO's objective in this aspect of the CRR process is to support CRR revenue adequacy by encumbering the network model in a manner that reflects as accurately as possible the pattern and amount of ETC and TOR energy schedules that will be exempt from paying congestion charges during the term of the CRRs being released.

Thus, if the arrangement described in this section with regard to ETC import capacity held by an OBAALSE has any impact on the amount of CRRs that can be released, such impact would be in the form of an increase in the amount of import capacity at the relevant intertie that is available in the SFT as a result of a reduction in the expected use of the ETC import rights by the rights holder as represented by the ISO on the network model.

For any specific application of the arrangement describe here, the amount of additional CRRs available will depend on (a) how the ISO represented the relevant ETC rights prior to consideration of the new arrangement, and (b) the timing whereby the revised TRTC information becomes available to the ISO for purposes of the CRR release process. With regard to (a), if for example the ETC rights in question were minimally used by the rights holder and the CRR model reflected the expected usage value rather than the full contractual value, then a reduction in the TRTC quantity would likely have little or no impact on how the ISO represents these rights in the CRR network model, and there would be little or no increase in the amount of CRRs available. With regard to (b), if for example the ISO receives the revised TRTC instruction after the set-up for annual CRR release process has been completed, then the ISO would not be able to reflect the revised TRTC in the annual CRR release, and the first possible increase in CRR availability as a result of the revised TRTC would occur in the next monthly CRR release. Assuming the arrangement between the OBAALSE and the external resource is intended to remain in effect, the ISO would then reflect the revised TRTC in the next annual CRR release.