

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

The Utah Office of Consumer Services (“Utah OCS”) understands that the ISO tariff currently does not allow Resource Adequacy (“RA”) capacity from an external RA resource to substitute for an internal RA resource that experiences either a forced or planned outage. This could be a limitation for PacifiCorp since it uses third-party transmission to pseudo-tie several of its thermal, wind and hydro resources. The Utah OCS supports the ISO’s proposal to remove the current restriction in the ISO tariff and allow external resources to substitute for internal resources that experience either a forced or planned outage. However, additional clarification should be provided to fully explain the conditions that must be met in order for the external resource to be eligible to substitute for the internal resource. For example, the ISO should explain what is meant by the external resource needing to have “similar operating characteristics of the outage resource”. It would also be helpful if specific examples could be provided.

2. Discussion of Import Resources that Qualify for RA Purposes

The ISO states that it would be beneficial to clarify the requirements for RA imports, including what may constitute a “firm monthly commitment” for the purposes of meeting RA system requirements, because it explains that the ISO tariff is not specific regarding the types

of import resources that may qualify for system RA purposes. The Utah OCS asserts that a tariff for a Regional ISO must allow utilities to acquire short-term firm purchases to meet RA capacity requirements. The Utah OCS believes that the requirements for qualifying import resources should be worked out based on a stakeholder process, and that these requirements should not lead to increased customer costs without making necessary improvements to system reliability.

3. Load Forecasting

The ISO states that there are numerous load forecasting related technical issues that should be evaluated further, and it proposes that they be discussed with stakeholders in a load forecasting working group meeting. The Utah OCS believes that it would be appropriate for load forecasting experts to work out the technical issues in a working group, but before any individual issues are finalized, the ISO must include their review within the larger Resource Adequacy stakeholder process. Then, the work group's final proposal for all load forecasting issues should be posted publicly for comment by stakeholders. Any issues raised should be addressed before a proposal is adopted for use in an expanded ISO.

4. Maximum Import Capability ("MIC")

The ISO states that it assesses the deliverability of imports for Resource Adequacy purposes using the MIC calculation methodology. The Utah OCS has reviewed the ISO's latest proposal and understands there are two aspects to the MIC process. First, a baseline set of maximum import capabilities is established for the interties, and second, a 13-step process is used to allocate MICs to the LSE's.

The Utah OCS understands that this is an important, yet complex process that is still being evaluated. The ISO has only developed a preliminary MIC assessment. Because the assessment has not been fully completed, the ISO states it is still developing results with PacifiCorp's assistance. The Utah OCS agrees with the ISO's new proposal that the LSE's serving load within the PacifiCorp footprint would be the only LSE's that could receive a MIC allocation based on the interties connected to the PacifiCorp sub-region. The Utah OCS is unable to provide any further comments until such time as the MIC and allocation processes currently being performed are complete and the results distributed to the RA initiative stakeholders.

However, the Utah OCS requests additional clarification of one issue at this time. The RA Straw Proposal stated:

Furthermore, the ISO performs a power flow study in the ISO's TPP to test that these values ensure each intertie's MIC can accommodate all state and federal policy goals; if any intertie is found deficient, the ISO establishes a forward looking MIC and plans the system to accommodate this level of MIC in the TPP and RA.

The Utah OCS requests additional information about how the MICs are tested to determine whether all state and federal policy goals are met and if interties are found deficient what plans are made to accommodate this level of MIC in the Transmission Planning Process (“TPP”) and RA processes? Please provide examples of what deficiencies have been previously found in the CAISO and what accommodations were made in the past.

5. Monitoring Locational Resource Adequacy Needs and Procurement Levels

Previously the ISO had proposed zonal RA requirements for potential internal transfer constraints, but the ISO has determined that there were numerous problems with the proposal that would have to be addressed, and it would add too much administrative burden for LSEs. The ISO has determined it would be better to simply assess the locational RA needs of potential zonal areas and develop methods for monitoring zonal procurement levels, and then revisit this issue at a later time if it becomes apparent there is a need to do so. The Utah OCS requests additional clarification about what could potentially occur as a result of the monitoring process. For example, is the purpose of the monitoring process to re-evaluate whether a zonal RA requirement is necessary and how long does the ISO plan to allow for the evaluation?

The Utah OCS also understands that one of the benefits often touted for joining an RTO is the reduction in planning reserves that must be maintained by an LSE after joining compared to what it had to maintain prior to joining the RTO. In light of the proposed changes to the RA construct in the Second Revised RA Straw Proposal (e.g. the changes discussed in the preceding paragraph), the Utah OCS asks the ISO if it still expects that this RA construct will lead to PacifiCorp being able to lower the amount of reserves it must maintain once it joins the RTO.

6. Allocation of RA Requirements to LRAs/LSEs

The ISO is seeking feedback on its proposal for allocation of system, local and flexible RA requirements based on one of two options. Either it would allocate RA requirements directly to PacifiCorp, or it would allocate the RA requirements to all of the Local Regulatory Authorities (“LRAs”), who would then allocate the requirements to the LSEs in their states. PacifiCorp currently derives its RA needs for the entirety of the PacifiCorp system. Commissions that regulate PacifiCorp then have the opportunity to determine if they agree that the reliability targets are reasonable, and whether any adjustments should be made. The Utah OCS recommends that the ISO allocate all RA requirements directly to multi-jurisdictional LSEs. The Utah OCS believes that to allocate directly to the individual LRAs would have the practical effect of diminishing state oversight and undermining the longstanding processes that have governed the allocation of costs among PacifiCorp’s jurisdictions.

The ISO states that this is also its preferred option, as opposed to allocating the RA requirements to the LRAs, which would then allocate them to the LSEs in their states. The ISO also refers to other RTO’s policies by stating “that in other regions, such as MISO and

PJM, those ISOs/RTOs directly allocate the RA requirements to all LSEs.” The Utah OCS notes that while it is true that MISO allocates resource adequacy requirements to LSEs, it is also the case that LRAs in states served by MISO have the ultimate authority to require higher or lower Planning Reserve Margins (“PRMs”). The following comes from Section 3.5.5 of the MISO Resource Adequacy Business Practice Manual, BPM-011-r15, which the Utah OCS recommends be considered for adoption by the CAISO.

3.5.5 State authority to set PRM

The only entity other than MISO that may establish a PRM is a state regulatory body regarding those regulated entities under their jurisdiction. If a state regulatory body establishes a minimum PRM for the LSEs under their jurisdiction, then that state-set PRM would be adopted by MISO for jurisdictional LSEs in such state. If a state regulatory body establishes a PRM that is higher than the MISO established PRM, the affected LSEs must meet the state set PRM. Similarly, if a state regulatory body establishes a PRM that is lower than the MISO established PRM, then the affected LSEs must meet the state set PRM. Other entities, such as reserve sharing groups or NERC regional entities, do not have the authority to establish a PRM under Module E-1. MISO will translate any state-set PRM into the same terms as MISO’s PRM (e.g. utilizing a UCAP basis) to facilitate comparison and compliance with PRMR.

7. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

The ISO has determined that a Planning Reserve Margin target based on a probabilistic analysis should be performed and is a best practice that is also performed in other RTOs. The Utah OCS agrees this is a “best practice” and should be performed, and the Utah OCS agrees further that the software used and the reliability standard such as a 1 day in 10-year Loss of Load Expectation criteria should be finalized in a stakeholder initiative. However, the Utah OCS is concerned that the ISO does not plan to begin nor complete this process prior to PacifiCorp joining the RTO. Unless the CAISO Tariff is modified to include the provision recommended in item 6 above, the Utah OCS is opposed to the CAISO being expanded until this methodology is fully worked out.

b. Resource Counting Methodologies for Reliability Assessment

The ISO proposes to develop uniform counting methodologies for use in the monthly RA evaluations. The methodologies would determine the amount that each resource type would contribute to meeting the ISO’s reliability needs. The methodologies would be determined through a stakeholder process, though the ISO has also identified proposed elements of the process that would be used initially. The Effective Load Carrying Capability is an example of a method that could be adopted for use in the future. The current proposal for Solar and Wind is to use the exceedance methodology.

The counting methodology that the CAISO is proposing would have to be compared to the methodology that PacifiCorp currently uses. It is already clear that there are differences and based on current practices, the CAISO likely would allow more renewable capacity to be counted than PacifiCorp would (the CAISO proposes an exceedance method, whereas PacifiCorp used a variation of an expected load carrying capability method). A detailed comparison would have to be made comparing the treatment of all resources including renewables, DSM, interruptible load, hydro, purchases and sales, QFs, and non-owned reserves. These are all evaluated and discussed as part of PacifiCorp's IRP process. The Utah OCS believes this analysis would have to be performed and evaluated by all stakeholders before PacifiCorp joins the ISO.

8. Other