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May 4, 2016

Via Electronic Mail

Christopher Devon
California ISO
P.O. Box 639014
Folsom, CA 95630
initiativecomments@caiso

Re: Valley Electric Association, Inc. Comments on
CAISO Regional RA Straw Proposal

Dear Mr. Devon:

Valley Electric Association, Inc. (“VEA”) appreciates the California Independent System Operator (“ISO”) carefully considering the expansion of the Resource Adequacy (“RA”) program in light of the possibility of regional expansion. VEA has not formed specific positions on many aspects of the ISO’s proposal as captured in its April 13, 2016 Regional RA Straw Proposal. However, VEA is concerned about the zonal requirement design and offers these narrow initial comments herein to ensure the ISO gives particular consideration to the relationship between the import capability allocation (“MIC”), pre-existing rights of parties, and the determination of the RA requirement of a load serving entity (“LSE”).

VEA urges the ISO, should it continue to consider a zonal RA requirement, to ensure that the zonal requirements are aligned with the import rights allocated through the MIC process, or any such similar process to which the ISO proposes to transition. LSEs need to have the ability to continue to ensure that deliveries from their particular owned or contracted sources can serve their RA needs. If LSEs are allocated MIC but then are assigned a zonal RA requirement that exceeds (1) their overall RA requirement (2) less the RA that could be supported by their MIC allocation, then the ISO will be undermining the MIC allocation intent.

VEA also urges the ISO to ensure that any party that had pre-existing rights for imports counted toward MIC allocations should be credited with such benefits in any zonal RA obligation determination. For example, VEA, in its FERC-approved Transition Plan, was granted rights to satisfy its RA obligations by importing up to 150 MWs of energy from Mead – the interconnection point to which VEA has longstanding contracts for energy delivery. VEA has counted on these imports to meet the bulk of its RA needs. If, in accordance with its regional

VEA Comments

May 4, 2016

Page 2

RA proposed design, the ISO finds a residual zonal need and allocates a pro-rata share to VEA, and VEA is not allowed to meet the requirement through imports using its MIC capacity, the value of VEA's FERC-approved transition rights will be diminished.

VEA encourages the ISO to consider alternative allocation schemes that may result in better alignment between the MIC and the residual zonal allocation. For example, the ISO could determine the *gross* (rather than *net*) zonal need, allocate it to LSEs, and allow those LSEs to satisfy the requirement through imports using MIC capacity as well as through in-area purchases. This would in effect allocate the residual need by prorating it inversely to the MIC capacity held by LSEs. In any event, the zonal requirement should not be blind to the MIC allocation various LSEs hold.

VEA appreciates the ISO's further consideration of its zonal RA requirement design.

Sincerely,

/s/ S. Bradley Van Cleve

S. Bradley Van Cleve

Davison Van Cleve, PC

Of Attorneys for Valley Electric Association, Inc.