

## Stakeholder Comments Template

### Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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Western Area Power Administration (WAPA) is a federal agency responsible for marketing hydropower generated by the federal Central Valley Project (CVP) to meet its statutory responsibilities to serve project-use energy pumping requirements and market available hydropower generation under its Power Marketing Plan to preference power allottees. In northern California, WAPA serves load in both the Balancing Authority of Northern California and the ISO. WAPA delivers its generation from many large and small hydro facilities of the CVP to its loads. WAPA owns, operates and maintains an extensive high voltage transmission network extending to the load center of Northern California.

WAPA appreciates the opportunity to provide comments on the ISO's Third Revised Proposal on Regional Resource Adequacy. As part of the next revision and upcoming stakeholder processes, WAPA requests the ISO to address the following questions and comments:

1. It is not clear if the ISO proposes the load forecast to be performed and submitted per Load Serving Entity (LSE), Scheduling Coordinator (SC) or Scheduling Coordinator Identifier (SCID). As outlined in the proposal, the resource adequacy requirement is defined on an LSE basis. WAPA observes that it is possible for an LSE to have more than one SCID for scheduling and settlement purposes. Additionally, in the case of jointly-owned facilities, it may be possible that several LSEs are required to share one SCID because of the ISO's limitation of allowing only one SCID per ISO metering point. The ISO's CIRA system currently requires LSEs to submit RA showings using SCIDs, which causes additional workload through the creation of non-value added duplicative business processes on the part of market participants. WAPA recommends that the ISO take this opportunity to better delineate and refine the distinction between LSEs and SCIDs in the tariff to enable market participants to streamline their business processes. WAPA believes that RA-related load forecasts and showing of RA sufficiency should be submitted by LSEs instead of SCIDs.
2. Does the ISO propose that LSEs calculate coincident peak load or that the CEC calculates coincident peak load for load in California? Does the ISO expect the CEC or each LSE to

separately submit the supporting narrative summaries, descriptions of all forecast models, calculations, and load modifiers? WAPA has many small customers scheduled under separate SCIDs; and today WAPA works with the CEC. WAPA submits its load forecast to the CEC and the ISO by SCID per the ISO's CIRA system limitation. It is not clear what level of effort the ISO will be requiring to justify the load forecast submitted for each SCID. The amount of supporting details listed in the 3<sup>rd</sup> revised proposal seems unduly burdensome and onerous. WAPA would appreciate an example from the ISO demonstrating the level of detail and effort it is expecting to see in the supporting documents.

3. The 3<sup>rd</sup> revised proposal requires LSEs to submit monthly peak demand to the ISO. In order for LSEs to provide monthly peak demand to the ISO, at what time granularity is the ISO expecting to provide historic system peak data? It seems that the ISO would have to provide historic system peak data at hourly or daily granularity at a minimum. Does the ISO intend to provide historic system peak data for LSEs in California to calculate their own coincident peak or expect LSEs in California to rely on CEC to calculate the coincident monthly peak? Will the ISO give non CEC jurisdictional LSEs in California the choice of determining monthly peak by themselves?
4. Does the ISO propose to determine RA requirements using annual coincident Peak Demand or monthly coincident Peak Demand? The ISO's current practice of determining local RA requirements based on annual coincident Peak Demand raised concerns from some market participants in this initiative. WAPA notes that the 3<sup>rd</sup> revised proposal is silent on this issue. WAPA suggests that this ambiguity be clarified by the ISO so that market participants will know whether the ISO will use annual coincident Peak Demand or monthly coincident Peak Demand to determine the system, local and flexible RA requirements.
5. WAPA recently signed a Market Efficiency Enhancement Agreement (MEEA) with the ISO. According to the MEEA, certain schedules identified by specific intertie resource IDs and verifiable by associated e-tags are deemed delivered from a basket of CVP hydro generation units in northern California. Since these resource IDs under MEEA represent specific generation units in northern California, they should be allowed to provide system, local and flexible RA following the same rules that are applicable to other hydro-generation units in northern California. The resource IDs under MEEA should be recognized as Use-Limited Resources. Even though the ISO acknowledged WAPA's comments regarding CVP import under MEEA in the Appendix of the 3<sup>rd</sup> revised proposal, the ISO was silent on how to address the issue. Although CVP hydroelectric generation produces a significant amount of power to serve the load in the ISO, the current ISO tariff effectively prevents CVP hydroelectric generation from getting credit as RA capacity because of the must-offer obligations. CVP hydroelectric generation has similar characteristics as other Hydroelectric Generating Units that have difficulty in meeting real-time must-offer obligations. According to Section 40.6.8, ISO will not insert any Bid in the Real-Time Market for a Resource Adequacy Resource that is Use-Limited Resource. While Hydroelectric Generating Units are deemed as Use-Limited Resources, CVP imports are not treated as Use-Limited Resources. WAPA urges the ISO to establish in the tariff that Hydroelectric System Resources such as CVP under MEEA or other

similar agreement be treated as Use-Limited Resources. Particularly Hydroelectric System Resources should be deemed to be Use-Limited Resources for purposes of Section 40 of the ISO tariff, and are not required to submit the application described in Section 40.6.4.1.

6. The ISO's presentation (10/6/2016) stated that "LRA may develop their own counting rules for state procurement/policy objectives" and "Proposed counting rule apply only to ISO assessments." It is not clear how these rules apply in conflicting situations. The ISO's set of rules may not be able to cover all kinds of situations; and some resources may be forced to comply with rules that don't fit. WAPA is concerned whether the ISO's set of rules would apply to CVP generation as a non-resource specific use-limited hydro system resource and how CVP generation fits in the proposed set of rules. WAPA suggests that the next revision of the proposal provide more clarity.
7. WAPA is concerned with the ISO's proposal requiring non-resource specific systems (such as CVP hydro) to show RA at specified interconnection point by T-45 days. WAPA understands the ISO's desire to have certainty regarding delivery point and import MWs in the monthly RA showing before T-45. There are technical difficulties to implement the ISO's proposal in practice. The transmission availability is not known at T-45, which makes the specified interconnection point uncertain. There are usually multiple ways to schedule power into the ISO. For example, WAPA can bring power into the ISO through Tracy 500-KV, Tracy 230-KV and Cottonwood 230-KV. At T-45, it is not clear what the scheduling scenario will be. One might suggest WAPA declare outages and move RA resources from one interconnection point to another in the day-ahead market if the one specified in the RA showing becomes less favorable. But this creates unnecessary workload and risk for potential error for no real benefit to anyone from a reliability point of view. The electrons do not follow the scheduling path anyway and the ISO will get the import energy regardless which connection point is used for scheduling as long as there is sufficient maximum import capability overall. There has always been enough capacity for WAPA to deliver CVP hydro power to its load in the ISO through a combination of the three interconnection points mentioned above. Moreover, declaring outages frequently might also trigger other unintended consequences. Therefore WAPA recommends the ISO allow alternative interconnection points for showing import energy for meeting the RA obligation.
8. WAPA does not agree with ISO's proposal to impose the default PRM on LRAs such as WAPA which is regulated by federal laws and regulations. Acting as its own LRA, SNR establishes its own RA Plan. This RA Plan applies to the following classes of loads served by SNR in the ISO Balancing Authority Area: (1) Reclamation's Project Use loads; (2) SNR's First Preference and Full Load Service Customers; and (3) NASA-Ames. SNR has the jurisdictional authority, for the purposes of this RA Plan, to determine the Planning Reserve Margins (PRMs). While WAPA SNR submitted its RA plan voluntarily to comply with the spirit of the Federal Energy Regulatory Commission's (FERC) order to assist the ISO to meet its CPUC obligations in the development of its current RA requirements, Western does not alter its position nor does it waive any legal rights or defenses it may have regarding the applicability of the ISO

Tariff to WAPA including, but not limited to, any rights and defenses raised by Western in ER06-723-000, et al. and any related dockets.

LRAs should determine the PRMs necessary for its LSEs. Each LRA is in a better decision to understand the necessary PRM for its LSEs. A one-size-fits-all approach is not appropriate to accommodate the needs of each LRA. Utilities have taken different measures to meet their obligations to reliably deliver power for decades, through cooperative planning, regional partnerships, and individual resource assessments. The ISO should acknowledge the success that already exists and not seek to impose a one-size-fits all RA requirement that ignores the fact that utilities have been, and continue to reliably deliver power under the existing contractual and resource structure.

The ISO has thus far not shared any details on how the PRM will be determined and how the PRM will be applied. WAPA is concerned that the ISO would adopt a one-size-fit-all PRM methodology through its stakeholder process that does not appropriately consider or address the operating and regulatory considerations under which WAPA operates. Attempting to address multiple objectives beyond operational reliability, such as long-term resource planning is outside of the ambit of the ISO. The ISO's concern for reliability is limited in the context of market and grid operations. WAPA is concerned that mixing long-term resource planning objectives and short-term operational objectives with a one-size-fits-all solution would not only unnecessarily impose new constraints and costs to the market and market participants, but would also result in many downstream unintended consequences.

Before WAPA can agree to the need for the ISO adopting this approach, we need to understand not only the underlying underpinnings of this approach but also to have stakeholder discussions and identify any and all real-world implications of its adoption. It is especially important to note that the original RA requirements were crafted to address the problem of capacity shortage which arose during the energy crisis, some 16 years ago. In the intervening years, market and operational conditions have changed. The must offer obligations were then crafted to ensure sufficient supply in the ISO market. Today's problem is different as over-supply exists during certain hours. This requires a change in the way market participants and/or operators deal and interact with the market. A different problem needs to be solved.

According to the 3<sup>rd</sup> revised proposal, the ISO proposes to calculate the PRM based on some peak load and apply the PRM to monthly peak load to come up with system RA requirements. By doing this, the RA requirements are determined by the monthly peak demand and applied to every hour of the month. This means that the RA capacity under the must offer obligation is far greater than the demand during majority of the hours. Since imports meet the must offer obligation by self-schedules due to take-or-pay contracts, the ISO simply increases the risk of aggravating the oversupply condition if the ISO insists on having all the import energy designated for RA obligation committed before T-45 for all hours of the month. It seems that it is important for LSE's to show different RA requirements and must-offer obligations for different times of the day. WAPA's point here is that these important technical issues appear to have been summarily dismissed as being immaterial in the 3<sup>rd</sup> revised proposal. The fact of the

matter is that these impacts are material and need to be considered and analyzed if the ISO expects to continue to run efficient markets.

The fundamental problem seems to be the conflicting goals between ensuring sufficient capacity for peak load hours in the long-run and mitigating over-generation during off-peak hours in the short-run. This is where the mix of long term planning concept of Loss Of Load Expectation (LOLE) and the ISO's market requirement for bid sufficiency clashes. One is a planning problem and the other is an operational problem. A uniform RA requirement across all hours does not seem to be the solution. It begs the question whether System RA is a means for long term planning capacity adequacy or a means for hourly market bid sufficiency. Apparently the ISO tries to address both by coming up with a one-size-fit-all PRM solution that is frozen until the next PTO joins the ISO and by doing so, LRAs lose the ability to adapt according to their individual needs.

WAPA recommends that the market bid sufficiency problem should be addressed by the ISO through its market products, services and price signals, and the long-term resource capacity adequacy problem should be left alone with the LRAs who have jurisdictional authority over and are familiar with their unique supply-demand situations. Moreover, the outdated all hour must offer obligation for RA resources should be revisited.