

Stakeholder Comments Template

Subject: Comments on CAISO's Business Practice Manual (BPM) Change – PRR 1280

Submitted by	Company	Date Submitted
<i>Robert Delizo (916) 292-1647</i>	<i>Western Area Power Administration - Sierra Nevada Region</i>	<i>11/23/2020</i>

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 CAISO's BPM change PRR 1280.

CAISO's tariff establishes the procedures CAISO and ISO participants must follow to demonstrate resource adequacy. CAISO developed many of these procedures as part of CAISO's Market Redesign and Technology Upgrade modification including:

- the amount each Scheduling Coordinator is expected to supply to meet its RA obligation in a fair manner;
- how specific resources can meet the resource adequacy obligation;
- how to ensure resources can perform and be deliverable;
- how information as to what resources have been procured will be communicated to the CAISO;
- how the RA resources will actually be made available to meet demand;
- how the CAISO can procure backstop resources to meet its grid management responsibilities if Scheduling Coordinators fall short; and
- what are the just and reasonable settlement practices for costs related to RA dispatch and backstop procurement.

California Independent System Operator Corp., 116 FERC 61,274 (2006) at para. 1111.

As part of its MRTU filing, CAISO stated it defers to the criteria of Local Regulatory Authorities to determine the qualifying capacity values for resources. *Id. at para. 1109.* CAISO's Tariff

recognizes the “needs of individual Local Regulatory Authorities to exercise control over LSEs under their jurisdiction.” *Id.* This deference to LRAs is included in Section 40 of its Tariff.

In approving CAISO’s MRTU RA provisions, FERC took a balanced approach. It stated:

Our decision today applies this balanced jurisdictional approach to the MRTU Tariff. While we find that resource adequacy is necessary for the reliable operation of the grid, and to ensure that wholesale rates are just, reasonable and not unduly discriminatory, we are not establishing planning reserve requirements, but instead are adopting those set by state and Local Regulatory Authorities in the first instance. We note that the default MRTU Tariff system RA requirements are triggered only when state and Local Regulatory Authorities have failed to act in order to ensure resource adequacy. We are therefore not setting those requirements in the first instance. Moreover, we have no reason to believe that these entities will fail to act and that the default requirements will be triggered. We share with these entities a common commitment to ensure that California markets never again face a situation where there is inadequate supply to serve load.

Id. at para. 1118.

As a participant in CAISO’s market and as an LRA, WAPA developed its LRA plan under the Administrative Procedure Act. WAPA developed this plan taking into consideration all public comments received and published its Final RA Plan on July 27, 2007. 72 Fed. Reg. 41309. This plan governs WAPA’s LSE’s RA requirements. WAPA has followed this plan since 2007.

In October 2020, CAISO provided a notice of final decision on PRR 1280. Through PRR 1280, the CAISO has proposed an update to its BPM for Reliability Requirements, which states:

In reviewing RA plans for compliance, the CAISO accepts LRA-provided credits against compliance obligations for the LRA’s jurisdictional LSEs provided the credits net to zero. For example, the CAISO accepts credits related to the CPUC’s Cost Allocation Mechanism because the credits allocate capacity from a known resource to various LSEs but they do not reduce the RA capacity provided and shown to the CAISO.

Consistent with the previous paragraph with respect to credits netting to zero, the CAISO understands that the CPUC may provide, on a quarterly basis, updated obligations/credits for their jurisdictional LSEs due to load migration or other factors. Where the CPUC provides such updates, the CAISO will incorporate the updated obligations/credits into the LSEs’ monthly RA requirements as soon as feasible. The CAISO will only use the updated requirements for the month-ahead RA process; updated requirements will not be used to change existing annual CPM cost allocations. If the updated CPUC allocation relates to local RA obligations and the updated allocation does not fully allocate the total sum of each CPUC Load Serving Entity’s proportionate share calculated under Section 40.3.2(a), then the ISO will allocate to CPUC load serving

entities the difference using the default allocation provisions under section 40.3.2(c) of the tariff.

Recently, CAISO approached WAPA and stated it was not accepting WAPA's LSE 2021 RA compliance showing due to WAPA's failure to meet PRR 1280 requirements, i.e., "the credits did not net to zero." WAPA met with CAISO on November 13 and CAISO stated:

1. The "net to zero" requirement is satisfied by having the resources supporting the LRA credits be shown to the CAISO on an RA Supply Plan
2. The resource on the RA Supply Plan is identified by a resource ID registered in the CAISO's Master File
3. The resources need to be subject to the Resource Adequacy Availability Incentive Mechanism (RAAIM) payments and charges.

As an example, CAISO stated WAPA can register an intertie resource for the imports of CVP generation to CAISO and include that resource in an RA Supply Plan that WAPA-SNR submits to CAISO. Accordingly, WAPA needs to submit a self-schedule or an economic bid for the intertie resource in the Day-Ahead Market (DAM), and in the Real Time market, if it was awarded in the DAM.

Prior to PRR 1280, WAPA provided its annual and monthly showing of RA resources using the following submissions to CAISO:

1. RA Plan template (Excel workbook) submitted into CAISO's Customer Interface for Resource Adequacy (CIRA) application
 - For RA resources procured to count towards Local Capacity Area Resource, Flexible Resource Adequacy, and Planning Reserve Margin requirements
2. LRA credits template (Excel workbook) submitted into CAISO's Customer Interface for Resource Adequacy (CIRA) application, up until email notification by the CAISO on October 26, 2020 to submit the LRA credits template into CAISO's Customer Inquiry, Dispute, and Information (CIDI) system related to the PRR 1280 notice
 - For resources to meet coincident peak load obligations. These include CVP generation and purchases from the Pacific Northwest, i.e., liquidated damages (LD) long-term contracts and projected day-ahead purchases. These purchases are firm energy contracts as generally reflected in Service Schedule C of the WSPP Agreement

PRR 1280 effectively overrides WAPA's LRA's plan which allows WAPA-SNR to count CVP generation and energy purchased and imported from the Pacific Northwest which are under firm energy contracts with liquidated damages (LD) provisions and projected day-ahead purchases towards the CEC peak demand obligations without being subjected to the filing requirements and associated costs of PRR 1280 as stated above. WAPA LSE's showing is consistent with WAPA's longstanding LRA Plan. CAISO's BPM is not consistent with its Tariff,

which provides significant deference to LRAs to develop its own requirements for RA. CAISO's MRTU Tariff defers to LRAs "to determine the qualifying capacity values for resources," *FERC Order at para. 1109*. For instance, Section 40.2.2.1 (a) provides the SC for a Non-CPUC LSE must provide CAISO with "the Reserve Margin(s) adopted by the appropriate Local Regulatory Authority or federal agency for use in the annual Resource Adequacy Plan and monthly Resource Adequacy Plan listed as a percentage of the Demand Forecasts..." Section 40.2.2.2. of the Tariff provides the SC for a Non-CPUC LSE must provide CAISO with "a description of the criteria adopted by the Local Regulatory Authority or federal agency for determining qualifying resource types and the Qualifying Capacity for such resources and any modifications thereto as they are implemented from time to time." Section 40.4.1 mandates that CAISO "shall use the criteria provided by the...Local Regulatory Authority to determine and verify, if necessary, the Qualifying Capacity of all Resource Adequacy Resources." WAPA as a federal agency and an LRA has an established its LRA plan. WAPA as an LSE and SC has provided CAISO with a showing consistent with the criteria adopted by the LRA to determine qualifying resource types and the Qualifying Capacity from such resources. WAPA's LSE has been following the LRA plan for more than 10 years. WAPA's actions are consistent with CAISO's Tariff. CAISO's BPs may not override or contravene its Tariff. As such, CAISO may not reject WAPA's LSE's and SC's ability to count CVP generation and LD contracts for imported energy because these resources are consistent with the LRA Plan approved by WAPA as an LRA.