

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 on the Straw Proposal for the Regional Resource Adequacy initiative that was posted on February 23, 2016. Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **March 16, 2016**.

FEEDBACK OF WESTERN RESOURCE ADVOCATES AND THE NW ENERGY COALITION ON THE REGIONAL RESOURCE ADEQUACY STRAW PROPOSAL

Western Resource Advocates and the NW Energy Coalition are non-profit organizations that advance policies to further a low-carbon grid and reduce harmful emissions from fossil-fuel generation. We regularly interact with PacifiCorp and advocate positions before the Public Service Commission of Utah, the Oregon Public Utility Commission, the Washington Utilities and Transportation Commission, the Idaho Public Utilities Commission as well as the Montana Public Service Commission. Together we provide a perspective that we hope can be helpful to CAISO in transforming into a regional entity whose governance and design can work for major utilities in the Western Interconnection as well as for PacifiCorp. We appreciate the opportunity to provide input on the conceptual framework provided in the Regional Resource Adequacy Straw Proposal (“Proposal”).

Assuring resources are adequate and processes are in place to meet need in real-time is essential to the success of this broad initiative to establish a regional ISO (“RSO”). Industry participants still painfully remember the market debacle that befell the West, and this specter still haunts many. In the states outside of California it arises as participation in an RSO is considered. Within California it appears in aspects of CAISO’s current Resource Adequacy (“RA”) program some believe to be overly costly.

To assist in drawing on the lessons learned and in clarifying roles and responsibilities for assuring resources remain adequate, as this particular RA stakeholder process moves forward, we encourage CAISO to make a clear distinction between long-term planning, whose purpose is to assure that adequate capacity will be available as we approach the operating year, and CAISO’s RA program, which is near-in-time with focus on operations. Depending on the jurisdictional

authority, long-term planning is generally undertaken every one to three years and uses a twenty-to thirty-year planning window with detailed action plans that span the first three to five years of the planning period. This is in sharp distinction to CAISO's RA program which looks forward at most one year, with emphasis on month-ahead and day-ahead resource showings.

We believe this distinction is important to clarify roles in assuring resource adequacy. It appears to us that state commissions and other local regulatory authorities ("LRAs") have the responsibility to assure that long-term resource planning and procurement provide sufficient resource capacity of the needed type and location ahead of the operating year. As the Balancing Authority ("BA") for the RSO footprint, the RSO has the responsibility of meeting NERC standards and maintaining reliability in real-time by assuring adequate capacity is available in the right locations with the needed operating characteristics in the operating timeframe and to assure the required capacity is provided equitably.

This perspective regarding roles and responsibilities underlies our following comments.

PRINCIPLES

CAISO offers three principles to guide the RA initiative.

- Provide an approach that will allow state regulatory commissions and load serving entities ("LSEs") to continue their existing procurement programs.
- Develop rules so that LSEs provide sufficient capacity to meet their share of the minimum forecast operating needs to avoid capacity leaning.
- Provide incentives for LSEs to provide resource portfolios to the ISO that are aligned with the operational needs that have been clearly communicated to them by the ISO well in advance of the due date for RA showings and supply plans.¹

We support these principles. We recommend, however, that the phrase "planning and" be inserted before the word "procurement" in the first principle so that it reads: "Provide an approach that will allow state regulatory commissions and LSEs to continue their existing planning and procurement programs." We believe this language makes the principle more generic. In this form it is more consistent with planning processes in other states and is not inconsistent with California's.

LOAD FORECASTING

CAISO proposes the following.

- Participants in the RSO market will continue to develop their load forecasts as they do currently.
- All hourly load forecasts will include Demand Response, Additional Achievable Energy Efficiency, and Distributed Generation.

¹ Regional Resource Adequacy Straw Proposal, February 24, 2016, p. 8.

- The RSO will review LSE forecasts and make adjustments if an LSE forecast diverges unreasonably from the LSE's actual peak loads or historical usage and the LSE cannot demonstrate their forecast is reasonable.
- The RSO will use these forecasts to develop coincident system load forecasts.

We support all four components of CAISO's load forecast proposal.

First, we support the proposal to continue the current load-forecasting practices of both existing and prospective RSO participants. We believe that this approach is essential for an RSO to succeed. Any other approach could result in additional regulatory burden for LRAs outside of California or loss of regulatory authority within California—either of which could impede transformation of the CAISO into a regional entity. This proposal achieves a necessary balance.²

Second, we support requiring all LSEs to provide hourly load forecasts that identify Demand Response, Additional Achievable Energy Efficiency, and Distributed Generation resources. With regard to PacifiCorp, while PacifiCorp does not forecast these resources specifically when developing its state-level *load forecasts* used for integrated resource planning ("IRP"), PacifiCorp does model them as resources to be selected by the IRP optimization algorithm. Given their inclusion in PacifiCorp's long-run plans, and given the tracking and reporting PacifiCorp is required to make to its commissions, it seems likely that PacifiCorp has the ability to develop and provide forecasts of these demand-side resources in the month-ahead timeframe the RSO will need.³

Third, we support CAISO's proposal to review and modify an LSE's load forecast if the forecast diverges unreasonably from actual peak loads or historical use and the LSE cannot demonstrate its forecast is reasonable. The RSO must attempt to assure that load forecasts are as accurate as possible to avoid harm. If the load forecast is unreasonably low, reliability can be compromised. If the load forecast is unreasonably high, acquiring unneeded capacity will impose unnecessary costs.

Fourth, we support CAISO's proposal to develop coincident peak forecasts from LSE load forecast data. We believe the RSO is the appropriate entity to develop these forecasts.

In addition, we agree with the comments of WGG et al. that load forecasting for an RSO should be robust and transparent, and the accuracy of forecasts and forecast error should be made public. In addition we recommend they be reviewed on an annual look-back basis to identify, overtime, biases and any over-forecasting trends. Public disclosure of forecast error may assist the RSO in reducing the frequency of missed forecasts so that it doesn't need to regularly adjust particular LSE forecasts as the RSO expands.⁴

² If, as the RSO expands, the use of different forecasting methodology results in regular missed forecasts that become problematic, we would support an initiative to reconsider and potentially make standard the forecasting methodologies used by LSEs for the operating time frame.

³ In the last section of these comments, we recommend PacifiCorp provide as an appendix to the Revised Proposal, information regarding how load forecasts for the operating time frame are developed.

⁴ Peak Reliability has experienced significant error in the load forecasts of certain entities, despite working diligently with these entities to improve their forecasts. This could become a problem for a large RSO and supports the need for the RSO to be able to modify load forecasts that appear unreasonable. Further, as we note in FN 2, if this does become a problem, we would support considering a standardized approach.

Finally, CAISO concludes its load forecasting proposal with the following statement.

The ISO must coordinate the proposed load forecasting approach with the development of load forecasts used for the ISO's Transmission Planning Process ("TPP") and Congestion Revenue Rights ("CRR") processes.

In the Revised Straw Proposal, please provide more detailed information regarding the time scale of the load forecasts used for TPP and CRR and how CAISO anticipates coordinating these with the proposed RA load forecasting approach.

MAXIMUM IMPORT CAPABILITY METHODOLOGY

With regard to the application of the existing MIC methodology to an expanded footprint, we have several questions.

- How will historical import schedules be determined for interties that were not previously part of the RSO footprint?
- How will existing contractual rights on these ties be treated?
- Given the rapidity with which conditions change year-to-year, is an historical approach still a viable method to determine MIC?

We agree with the comments of WGG et al. that more analysis is needed to determine whether the current methodology can be extended to a large footprint with limited transmission capacity between the old and new. We support their request for analysis.

INTERNAL RA TRANSFER CAPABILITY CONSTRAINTS

CAISO proposes to establish the concept of intra-Balancing Authority Area ("BAA") transfer capability constraints to assure any constraints that may limit transfers of RA resources are properly respected. Through the TPP, the RSO will determine line capability in each direction and then provide baseline allocations on each constrained path "based upon *pro rata* load ratio shares at the [R]SO coincident peak."⁵ The method will allow for netting RA contracts across constraints to increase allocations for participating LSEs.

Given the limited connectivity between potential new participants like PacifiCorp and the current CAISO footprint, we support CAISO's proposal to develop intra-BAA transfer capability constraints. However, we would like to better understand the impact of the method CAISO proposes to use to allocate transfer capability. It appears that since all RSO participants would be allocated room on all congested lines on a *pro rata* load ratio share, any individual RSO participant may or may not have sufficient capacity on any one line to access their RA resources. In the Revised Proposal please explicate the allocation method and its impacts more fully. Please use examples.

To better understand how this method may affect any expanded footprint, we support the WGG et al. request that CAISO identify paths where RA transfer constraints will arise in a footprint that initially includes CAISO and PacifiCorp.

⁵ Proposal, February 24, 2016, p. 11.

ALLOCATION OF RA REQUIREMENTS TO LRAs/LSEs

We support CAISO's proposal to allow the allocation of local and flexible capacity requirements either directly to LSEs or to LRAs for reallocation to the LSEs in their jurisdiction. The ability to allocate the capacity requirements to LRAs, as is done today, supports California's regulatory processes without change. And, allowing the requirements to be allocated directly to LSE's will accommodate utilities whose state commissions prefer to leave the running of the day-to-day business of the utility to the utility, and will also accommodate multistate utilities like PacifiCorp that don't have a single regulatory authority overseeing its activities.

UPDATING ISO TARIFF LANGUAGE TO BE MORE GENERIC

We support CAISO's proposal to update the tariff provisions to make the language more generic. We agree this is necessary to avoid creating unintentional barriers or consequences.

RELIABILITY ASSESSMENT

To ensure RSO markets have adequate committed resources to operate reliably, CAISO proposes to undertake an annual look-ahead and monthly⁶ look-ahead resource adequacy assessments using consistent methods for determining the capacity contribution from all resource types and applying a system planning reserve margin ("PRM"). The methodologies for determining capacity contributions and PRM would be determined through open and transparent stakeholder processes.⁷

If after the reliability assessment is conducted, the assessment reveals resource insufficiency, CAISO proposes notifying all LSEs of the shortfall to provide an opportunity for additional capacity to be obtained. If sufficient resources are not forthcoming, the RSO would use its backstop authority to resolve the shortfall and allocate the cost to those entities which are resource short.

We support the RSO conducting a monthly reliability assessment using consistent counting rules and applying a PRM subject to CAISO's minimum requirements and, perhaps, zone-specific constraints that would provide safeguards against capacity leaning. Accurately assessing resource adequacy is essential to maintain reliability, and consistency in the components of the assessment is vital to provide an equitable program without capacity leaning. We also support CAISO's proposal to allow the ISO to procure backstop capacity in the event of an unresolved shortfall and allocate the costs to the entities responsible for the shortfall. Nevertheless, we have several questions regarding the approach CAISO proposes to follow in the event of a shortfall and the reasoning behind it.

The Proposal states:

If the sum of all procurement does not meet the minimum PRM, the [R]SO would notify all LSEs of the shortfall and provide an opportunity for additional capacity

⁶ A monthly reliability assessment is mentioned on page 13, otherwise the document is silent with regard to the frequency and timescale of the assessments. We recommend this detail be further developed in the Revised Proposal.

⁷ Whether the methodologies are to be selected as part of this stakeholder process or a future process is not clear to us. Clarification in the Revised Proposal would be helpful.

to be secured by LSEs and provided to the [R]SO. If a shortfall remains after the cure period, the [R]SO may utilize backstop procurement to resolve the shortfall.⁸

Our questions include the following:

- How long of a “cure period” does CAISO anticipate?
- Are there reasons to believe market forces might resolve an insufficiency?
- At the time the RSO notifies LSEs of a shortfall, would the RSO have available to it each LSE’s resource sufficiency or insufficiency as calculated using RSO metrics?
- Prior to using its backstop authority, does CAISO anticipate the RSO would share each LSE’s contribution to the anticipated shortfall with at least those entities who are contributing to the insufficiency?
- Is CAISO proposing this more generic approach as opposed to providing each LSE’s sufficiency and/or insufficiency to avoid potential jurisdictional concerns?
 - If, yes, how does CAISO reconcile allocating the costs of backstop procurement to those entities who cause the need for backstop procurement?
 - Do the metrics used to allocate the costs of backstop procurement after the operating period (to assure that those who cause backstop procurement pay its costs) differ from the metrics that would be used to calculate resource sufficiency or insufficiency as part of the reliability assessment?
- Has CAISO considered making LSEs’ sufficiencies and insufficiencies public as a method to incent capacity acquisition in the event of a shortfall? Similar to our previous comments regarding making forecast error public, it seems that making resource insufficiencies public might incent better behavior.

1. Planning Reserve Margin for Reliability Assessment

CAISO seeks input on what type of study might be done and how such a study would be developed.

We recommend CAISO review the feasibility of various methods including, among others, loss of load probability studies and developing a PRM in a manner similar to the method WECC employs in conducting its Power Supply Assessment, as well as any other methods participants may suggest.

We further recommend CAISO distribute the information it gathers in a PRM issues paper. CAISO could then conduct a PRM working group meeting and use the information and feedback to propose a PRM method as part of the Revised Proposal. If, however, CAISO does not intend to propose a methodology as part of the RA proposal, this could be left to a future stakeholder process.

⁸ Proposal, February 24, 2016, p. 13.

2. Resource Counting Methodologies for Reliability Assessment

CAISO proposes to develop consistent and transparent methodologies for evaluating the amount that each resource type is able to effectively contribute towards meeting the RSO's capacity needs. The uniform counting methodology framework would be developed through an open and transparent stakeholder process to be applied when the RSO conducts its resource adequacy assessment.

As discussed earlier, we support this proposal, and we support use of some variant of the effective load carrying capability ("ELCC") methodology that balances accuracy with data and computational requirements to determine each technologies' capacity contribution. We encourage CAISO to gather information on variants of the effective load carrying capability methodology and share this information with stakeholders in an issues paper in a manner similar to what we recommended for developing a PRM methodology. The information could be shared in a working group meeting, possibly even the same meeting that considers PRM methodologies. If, however, CAISO does not intend to propose a methodology as part of the RA proposal, this could be left to a future stakeholder process.

3. ISO Backstop Procurement Authority for Reliability Assessment

The current FERC-approved tariff does not include a reliability assessment. CAISO proposes to review the backstop procurement provisions in the tariff to ensure the costs are allocated in a fair and open manner and update this section to reflect the proposed reliability assessment.

We support modifying the backstop provisions of the tariff to incorporate a reliability assessment.

OTHER

Development of PacifiCorp Load Forecasts Used for Operations

We recommend CAISO request PacifiCorp provide, as an appendix to the Revised Proposal, a detailed explanation of how it develops the load forecasts it uses in the operating period. We had previously learned that these forecasts were aggregated from bus level information. For the purposes of this initiative, understanding how PacifiCorp currently forecasts loads for use in the operating timeframe would be most helpful.

The function of buying and selling capacity and energy to balance the PacifiCorp system in real-time currently belongs to PacifiCorp's "Front Office," with the transactions referred to as "Front Office Transactions." For the edification of the CAISO and PacifiCorp's stakeholder communities, we recommend PacifiCorp explain how the forecasts used by the Front Office are developed, how the forecasts are tied to system topology, and how the forecasts used by the Front Office link to the state-level forecasts used for integrated resource planning.