



Stakeholder Comments Template

Maximum Import Capability Stabilization and Multi-year Allocation

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the Maximum Import Capability and Multi-year Allocation draft final proposal:

- Support
- Support w/ caveats
- Oppose Multi-Year Allocation Process
- Oppose w/ caveats
- No position
- Does Not Oppose Maximum Import Capability Stabilization

Please provide your organization's comments on the following issues and questions.

Energy Division staff ("staff") appreciates the opportunity to comment on the MIC Stabilization and Multi-Year Allocation Draft Final Proposal. For ease of reading, the main points in our comments are underlined in the following discussion.

1. Maximum Import Capability Stabilization

As noted in our comments on the Second Revised Straw Proposal, staff believes this modification is an incremental improvement to the current process and does not oppose it.¹ Nevertheless, staff is not convinced that moving away from a MIC calculation process based solely on historical flows is impossible or undesirable. We note that CAISO's argument in this initiative – essentially that imports are not physically constrained but that we cannot reduce internal deliverability – seems somewhat inconsistent with CAISO's argument in the recent system market power initiative, namely that there *is* a potential for import constraints that requires internal system market power mitigation. It is unclear how a significant expansion of import resources that are dedicated to California (e.g. pseudo-tied and dynamically scheduled resources) could be achieved without expanding available MIC at the

¹ Comments of Energy Division Staff on the CAISO MIC Allocation and Multi-Year Stabilization Second Revised Straw Proposal at 1.

interties where these resources propose to schedule energy. It also seems that doing so could help mitigate internal market power, which staff supports.

Recognizing CAISO's reservations,² we strongly support more thorough consideration of changes to the MIC calculation process that would incorporate physical capacity of the interties (at least in part) while maintaining internal deliverability. We look forward to that discussion and believe it is critical that CAISO immediately open a stakeholder initiative to consider more fundamental changes of this type.

2. Available Import Capability Multi-year Allocation Process

Staff appreciates the *direction* and *intent* of the simplified Alternative 2 proposal for multi-year allocation, which would enable LSEs to lock up to 75% of their year ahead MIC allocation on a multiyear basis but would reduce the locked amount if an LSE's year ahead load ratio share dropped sufficiently in future years. However, staff notes that CAISO did not revise its definition of which resources will be eligible to lock MIC in the Draft Final Proposal. Without further clarity regarding the types of import RA resources that can be used to lock MIC for extended periods of time, staff opposes the multi-year allocation process in its entirety, since it is inconsistent with the rules adopted by the short-term Integrated Resource Plan (IRP) procurement decision (D.19-11-016) and may enable LSEs to lock MIC with resources that may not enhance California's supply security.

CAISO proposes that "new contracts used to lock MIC allocations to branch group should be associated with source specified import resources (either resource specific or an aggregation of specific resources), [which] is consistent with the proposed import RA rules and maintains alignment with RA must offer obligation rules."³ To the extent that CAISO expects the multi-year allocation portion of this stakeholder initiative to support short-term IRP procurement pursuant to D.19-11-016, the definitions are clearly not in alignment.⁴ Furthermore, under CAISO's current proposal, it appears that LSEs could identify vague "aggregations of resources" on which CAISO does not have telemetry – or could even identify entire Balancing Authority Areas – as the "resource-specific" resources behind their contracts. These "resource-specific" resources would nevertheless appear on CAISO supply plans and in Commission RA filings with non-resource-specific IDs that only identify the scheduling point. It also seems possible that "aggregation" contracts could allow LSEs, scheduling coordinators, or sellers to shift resources around or even to purchase and deliver electricity from other resources, without CAISO knowing whether the product is actually coming from the "resource-specific" resources identified in the contracts. As a

² See CAISO MIC Allocation and Multi-Year Stabilization Draft Final Proposal at 17 and 22.

³ *Ibid.* at 29.

⁴ D.19-11-016 (at 65) specified that only import resources that are pseudo-tied or dynamically scheduled may count towards incremental short-term procurement requirements.

result, it is unclear how these imports would be “resource-specific” from a standpoint of CAISO control.

Staff does appreciate CAISO’s indication on the July 21 stakeholder call that the resource requirements will appear in the forthcoming BPM and that CAISO will seek to align the rules with those of the Commission in the BPM change management process. However, we are not confident that the BPM process will solidify CAISO’s rules before LSEs attempt to lock MIC. Staff requests that CAISO align the resources that can be used to lock MIC with the eligible resources identified in D.19-11-016, should it choose to move forward. We cannot support any multi-year locks until there is more certainty regarding import resource definitions used by CAISO and the Commission.

Additional comments

No additional comments.