

The ISO received comments on the topics discussed at the March 19, 2020 stakeholder meeting from the following:

1. [California Department of Water Resources \(CDWR\)](#)
2. [Southwestern Power Group \(SWPG\)](#)
3. [Southern California Edison \(SCE\)](#)
4. [Northern California Power Agency \(NCPA\)](#)
5. [Valley Electric Association \(VEA\)](#)
6. [San Diego Gas & Electric \(SDG&E\)](#)
7. [Silicon Valley Power \(SVP\)](#)
8. [Sacramento Municipal Utility District \(SMUD\)](#)
9. [The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California \(Six Cities\)](#)
10. [Western Power Trading Forum \(WPTF\)](#)
11. [Powerex Corp.](#)
12. [California Municipal Utilities Association \(CMUA\)](#)
13. [California Public Utilities Commission \(CPUC\)](#)
14. [Pacific Gas & Electric \(PG&E\)](#)

Copies of the comments submitted are located on the Maximum Import Capability Stabilization and Multi-year Allocation webpage at:  
<http://www.caiso.com/StakeholderProcesses/Maximum-import-capability-stabilization-multi-year-allocation>

The following are the ISO's responses to the comments.

1. California Department of Water Resources (CDWR) Submitted by: Mohan Niroula		
No	Comment Submitted	CAISO Response
1a	<b>1. Maximum Import Capability Stabilization</b> No comment.	
1b	<b>2. Available Import Capability Multi-year Allocation Process</b> Due to the uncertainty in load share ratio and inherent certainty in the RA contract capacity for future years, CDWR prefers "Alternative 1" for multi-year allocation in which RA contracts are honored. This alternative will allocate 80% of total Maximum Import Capability (MIC) to Load Serving Entities (LSEs) three years out, and 20% of total MIC one year out. The LSEs will be able to lock 60% of their allocation for up to 20 years and an additional 20% of their allocation for up to 3 years through RA contracts.	Your preference has been noted.
1c	<b>3. Other</b> No comment.	

2. Southwestern Power Group (SWPG) Submitted by: Ravi Sankaran		
No	Comment Submitted	CAISO Response
2a	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>Southwestern Power Group (SWPG) has no issues with the CAISO proposed adjustment to the two highest actual import hours as described in the white paper section 4.1. SWPG is concerned however that by only looking at past energy imports that the MIC availability will fail to recognize the changing landscape of future desired imports and RA provision.</p> <p>For example, SWPG and its partner, Pattern Energy, are marketing wind energy from New Mexico, some of which will be delivered to the Willow Beach ISO Scheduling Point. In recent years Willow Beach has seen a decline in energy imports – especially as the Four Corners coal plant shut down. However, limiting the MIC availability to only what has happened in the past year will necessarily mean that each year additional wind energy comes on line there will be insufficient MIC to ensure the import of that resource’s RA. SWPG strongly encourages the CAISO to look to additional sources of information, such as LSEs’ CPUC integrated resource plan (IRP) data, to assess the MIC needs going forward rather than simply using the outdated energy import data. If the CPUC IRP data is not available to the CAISO or not acceptable as a source, SWPG is pleased to discuss with the CAISO mechanisms the CAISO could use to determine whether the past imported energy may not provide sufficient MIC for the upcoming year’s LSE RA needs.</p>	<p>The current methodology for calculating MIC already includes a forward looking component. In order to assure that the state and federal policy goals are accomplished the CAISO tests each branch group value to assure that there is enough Remaining Import Capability available to accommodate the CPUC main renewable portfolio. If any branch group (or group of branch groups) are constrained, the CAISO will try to raise MIC in order to accommodate the CPUC main renewable portfolio as soon as possible including the approval of new transmission projects if necessary. Please see Reliability Requirement BPM section 6.1.3.5.</p> <p>If you have a contract with a CAISO Load Serving Entity (LSE) (including municipal entities) and you believe your contract is not accounted for in the main CPUC renewable portfolio, please contact the CPUC and the CAISO as soon as possible with details of your renewable contract.</p>
2b	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>SWPG supports the CAISO’s proposal regarding revising the calculation for the base allocation to LSEs.</p> <p>SWPG supports Alternative 1 – to favor allocations based on long-term RA contracts for the stability such a policy will provide to the commercial contracting process.</p>	<p>Thank you for your support.</p> <p>Your preference has been noted.</p>
2c	<p><b>3. Other</b></p> <p>No comment.</p>	

3. Southern California Edison (SCE) Submitted by: Wei Zhou		
No	Comment Submitted	CAISO Response
3a	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>SCE supports development of a methodology to stabilize the MIC values. SCE continues to believe that the MIC amount should be closely aligned with the physical capability of the grid (including the simultaneous import limit or SIL).</p> <p>Although the CAISO’s proposal would be marginally better than today (i.e., more stable results are achieved by extending the time window of evaluating historical schedules from the prior two years to the prior five years and subsequently selecting the two highest years among the five years) however, the proposal will not address the issue of declining MIC amounts over the past few years, and therefore the proposal will not lead to the maximum use of the underlying grid capability being utilized in meeting resource adequacy (RA) requirements. A methodology that derives MIC values based on the average historical schedules over four peak load hours (i.e., based on the four historical “snapshots”) as proposed by the CAISO, will only ensure that the allocated MIC is deliverable but does not maximize the value of the physical capability of the grid in meeting RA. Such methodology can limit otherwise available RA capacity on a specific intertie when the MIC is scarce on that intertie. Such methodology, because of its reliance of historical values, may not be aligned with potential supply and grid conditions in the future, for example, when more imports may become necessary to meet the net load peak as more thermal units inside California are retired. In this case, while interties capacity may be available, the use of historical values will limit the amount of import capacity that could be utilized for RA without utilizing all of the intertie capacity available. For these reasons, SCE continues to emphasize that the MIC allocation should be based on and fully aligned with the physical capability of the grid.</p> <p>In the response to the stakeholder comments, the CAISO clarified that: 1) the MIC allocated today is close or above the SIL, and 2) the CAISO believes the MIC allocation among interties based on historical schedules is appropriate, because if the historical schedule is higher on an intertie, “there is a much higher likelihood resources exist and are available for RA contracts”. The CAISO has also stated a concern that solely relying on physical capability of interties in the MIC allocation can have detrimental effects to new internal resources inside the CAISO (connected close to the same nodes where imports are scheduled) and</p>	<p>Beyond the CAISO’s reasons listed in your paragraph the CAISO believes that it is in the detriment of ratepayers to maintain deliverability on the interties commensurate with their physical capability when it is not used by LSE for either energy or capacity. The CAISO asks that LSEs provide proof of usage first, before deliverability allocation. As stated before the CAISO is already accounting for future use due to the CPUC main portfolio.</p>

No	Comment Submitted	CAISO Response
	<p>will negatively impact all CAISO ratepayers. The CAISO stated that: “The CAISO is willing to explore viable alternatives through this on-going stakeholder process... Other viable alternatives may be discussed and explored for RA year 2022 implementation”.</p> <p>SCE appreciates the clarifications offered by the CAISO. To resolve the issues above while maintaining the goal of maximizing the utilization of the physical capability of the grid, SCE requests the CAISO focus the remainder of this initiative on the development of viable alternatives. Specifically, the following items should be further explored:</p> <p>1) When and if historical schedules are used to derive the MIC values, the MIC allocation process should consider exports, i.e., the MIC values should be the net import schedules plus expected exports.</p> <p>2) The CAISO and stakeholders should explore an alternative approach that is based on the physical capability of the grid, i.e., the transfer capability of interties. LSEs can nominate or submit requests not exceeding the transfer capability of an intertie. To validate and grant the requested capacity, a simulation study can be performed if needed to ensure the granted capacity will not exceed the maximum import level of each intertie that is viable; the simulation should consider the viable, maximum import capability for each intertie (i.e., the MIC value for each intertie) by studying different scenarios under different grid and supply conditions. Under this alternative approach, the MIC will still be allocated based on LSEs’ load share ratio.</p> <p>3) Any other viable alternatives proposed by CAISO and stakeholder should also be considered.</p> <p>The second and third items suggested above are especially important, given the likelihood that the MIC allocation today significantly limits potential RA capacity on particular interties, which is an issue that must be addressed as the supply condition is expected to get tighter and there is a higher need to address the net load peak through imports in coming years.</p> <p>With regard to the CAISO concern that increased MIC may have detrimental impacts on the deliverability of resources internal to the CAISO but connected near the intertie, SCE requests that the CAISO further explain how MIC accounts for the deliverability tests that are performed for all resources internal to the CAISO to establish the NQC of a resource. It is SCE’s understanding that but for extraordinary circumstances, once a resource is deliverable, it will retain that deliverability for the life of the facility. It therefore seems counterintuitive that</p>	<p>The “netting” process was used for the CPUC Path 26 allocations in the past. The CAISO cannot use such method for system exports because the “exporting resources” do not have a must offer obligation in the CAISO markets and therefore the CAISO cannot call on them to relieve the congestion created by allocating MWs beyond net imports. An LSE nomination based approach inspire less confidence than actual energy schedules or actual RA contracts.</p> <p>At this time the CAISO believes the highest likelihood may reside in augmentation of the methodology around actual RA contracts.</p> <p>Deliverability studies are run together for internal resources and imports, therefore there is high degree of interaction especially for resources located near import paths. One of the reasons for MIC stabilization was that there is little or no extra deliverability available from major interties like Paloverde, Mead or COI without interaction with existing or already committed resources in the CAISO queue and therefore even one year decreases in MIC deliverability will be allocated to internal resources, therefore a MIC increase next year will</p>

No	Comment Submitted	CAISO Response
	<p>the MIC process could or should impinge upon the deliverability of any internal resource regardless of the methodology chosen.</p>	<p>create the need to cut deliverability for either internal resources, MIC itself or both.</p>
<p><b>3b</b></p>	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>As mentioned in previous SCE comments, the existing requirements for RA imports are currently being revisited and it's unclear that a multi-year MIC allocation would incentivize multi-year RA contracts on interties prior to the requirements for RA imports being finalized. A method for multi-year MIC assignment must be closely aligned with the specifics of multi-year RA system and/or flexible RA requirements, which do not exist today. Without those specifics being available, allocating MIC multi-year forward can introduce inefficiencies and risk incorrect amounts being assigned to individual LSEs, whose load could constantly change from year to year. The topic of multi-year MIC allocation can and should be revisited upon further understanding of a multi-year forward requirement for system and flex.</p> <p>Aside from the general comments offered above, SCE submits the following specific comments on the two options proposed by the CAISO.</p> <p><u>The CAISO should clarify the proposed resource-specificity requirement for RA Contracts used for locking MIC allocations</u></p> <p>The CAISO stated that the RA contracts used for locking MIC allocations to branch group for either option should be "associated only with either pseudo-tied resources, resource-specific dynamically scheduled system resource or other resource-specific system resource". SCE agrees, and believes that, as also implied in the CAISO proposal, there should be a high level of commitment from an external resource in order to obtain multi-year forward MIC. The CAISO should clarify, what happens if the resource, after the multi-year forward MIC has been assigned to the resource, is no longer a pseudo-tie, dynamic schedule or "other resource-specific system resource". Would the multi-year MIC be forfeited and removed from the LSE that the MIC was assigned to? Would this occur during the annual year-ahead MIC allocation process, or would it occur at the time when the resource is no longer a resource-specific resource? The CAISO should also clarify what are "other resource-specific system resource" that are eligible to be considered for being assigned for multi-year MIC allocation.</p> <p><u>The proposed Alternative 2 is preferable than the proposed Alternative 1.</u></p>	<p>When the contract loses its status due to change in resource characteristics then it should be eliminated from multi-year lock of MIC. This needs to occur when LSEs are submitting their templates for next RA year. First the RA import allocations cannot be retracted by the CAISO after the yearly allocation process, and second as long as the LSE is within their load share ratio the allocation would most likely go back to them, all they are losing it the lock on a certain branch group (not relevant after allocations are complete).</p> <p>Please see the CAISO Tariff definition.</p>

No	Comment Submitted	CAISO Response
	<p>Compared to Alternative 1, which leaves load migration issues unaddressed, Alternative 2 addresses the load migration issues under multi-year MIC allocation. In particular, under Alternative 2, “LSEs may lock up their multi-year allocations through RA contracts for an undetermined length of time, however if the individual LSEs year ahead allocation falls below the previous year(s) lock-up amount, then the LSE will be limited to the current year ahead allocation”. As SCE understands it, the year-ahead allocation will continue to be based on load share ratio, which can change year to year. Under Alternative 2, the MIC allocation for each LSE will not exceed the load share ratio for that LSE as determined during the year-ahead allocation process. This is illustrated by the following example.</p> <p>A hypothetical example: suppose the MIC for an intertie is 100 MW, which does not change all three years out. The load share ratio was 30% for LSE A and 10% for LSE B during the three-year allocation process. The load share changes in the year-ahead allocation due to load migration, which is 20% for both LSE A and LSE B during the year-ahead allocation.</p> <p>Consider a scenario where LSE A locked up 30MW MIC via RA contracts for 10 years. LSE A was allocated 30MW for all three years. However, because its load share ratio is only 20MW during the year-ahead allocation, LSE A receives a reduction of 10MW during the year-ahead allocation and the 30MW MIC allocated in the three-year allocation is revised to 20MW during the year-ahead allocation. This occurs regardless of the allocated amount for LSE B.</p> <p>Consider another scenario, where the MIC of the intertie changes from 100MW during the three-year allocation process to 80MW during the year-ahead allocation process; same as the scenario above, LSE A’s load share ratio changes from 30% to 20%, and LSE B’s load share ratio changes from 10% to 20%, from the three-year allocation process to the year-ahead allocation process. Under this scenario, LSE A receives a further reduction and the highest amount allowed for the LSE A during the year-ahead process is 16 MW (i.e., 80MW * 20%). LSE A receives 14MW reduction and the 30MW MIC allocated in the three-year allocation is revised to 16MW during the year-ahead allocation. This occurs regardless of the allocated amount for LSE B.</p> <p>SCE seeks confirmation of the understanding above. The CAISO should clarify that the year-ahead allocation will continue to be based on the current year’s load share ratio under the proposal (e.g., if the year-ahead MIC allocation is for RA year 2021, then the load share ratio will be calculated based on the peak</p>	<p>Your preference has been noted.</p> <p>The CAISO’s intention is to limit the MIC allocation to load share ratio at the system level not at the branch group level. If cuts are required from one year to the next the LSE with the existing lock will choose what contracts (branch group) they will release.</p> <p>Changes to individual branch group maximum available capacity will only impact an LSE with a lock with the new maximum capacity available is below the current contractual amount. If possible the CAISO will try to avoid this by maintaining enough deliverability at this intertie (if possible) such that all committed contracts will continue to be deliverable.</p> <p>CEC only provides a year ahead LSE by LSE load forecast. The CAISO is envisioning using the same load forecast for all 3 years during any one year set of allocations.</p>

No	Comment Submitted	CAISO Response
	<p>load forecast for RA year 2021; similarly, for RA year 2022, it will be based on the peak load forecast for RA year 2022, and so on so forth).</p> <p>By solely relying on the year-ahead allocation process, the CAISO proposal appears insufficient in addressing the load migration issues as load migration can occur throughout the year. The proposed adjustment, which is to occur only during the year-ahead allocation process to ensure a multi-year MIC that was assigned to not exceed the load share ratio, should be conducted whenever a load migration occurs that isn't addressed in the prior year-ahead allocation process. I.e., the CAISO should not wait for the annual year-ahead allocation process to conduct this adjustment. The Proposal should also address, what happens if there is a load migration in other months except the peak load month (i.e., the load share ratio it uses in the multi-year MIC allocation does not change, but there is load migration during the year).</p> <p><u>There is a list of issues that must be addressed under Alternative 2.</u></p> <p>While the CAISO has described the concept of the proposed Alternative 2 in its proposal, many details are lacking to assess the viability of this option. Below, SCE offers a list of issues that should be addressed:</p> <ul style="list-style-type: none"> <li>▪ What are the granularity requirements for RA contracts in order to lock up MIC allocation multi-year ahead? <ul style="list-style-type: none"> <li>o Does the RA capacity have to be contracted for all months in the year? Or only for summer months? Or by season? Does the RA capacity have to be contracted for each hour of the day? Or just availability assessment hours?</li> <li>o When the underlying contract is only for specific months, would the LSE be able to lock the MIC for those months? If this is the case, how will the load ratio share be calculated? I.e., should it be based on annual peak load forecast or the peak load forecast for that specific month(s)?</li> </ul> </li> <li>▪ What are the requirements for the project online date for RA contracts in order to lock up MIC allocation multi-year ahead? <ul style="list-style-type: none"> <li>o Given that it's multi-year ahead, does the CAISO require the resource under a contract to be operational at the time of locking up the MIC amount? <ul style="list-style-type: none"> <li>▪ If the commercial online date is required at the time of the multi-year MIC assignment, then it is unclear how the proposal will incentivize and enable building new resources external to the CAISO to meet the obligation of an LSE inside the CAISO. Developers and LSEs may not be willing to risk stranding the resource and therefore may require that the import capacity be allocated prior to contract signing.</li> </ul> </li> </ul> </li> </ul>	<p>The CAISO is not proposing to change the annual nature of MIC allocations into monthly MIC allocations. New LSEs can only be formed in the year ahead process and that is where the majority of the load migration occurs.</p> <p>The CAISO included details in the next rounds of proposal.</p>



No	Comment Submitted	CAISO Response
	<ul style="list-style-type: none"> <li>▪ If this is not required, then what are the mechanisms for the CAISO to monitor and track the progress of the resource in achieving commercial operation toward the year for which MIC has been granted? If an attestation is required under the proposal in order to receive multi-year MIC values for new resources, how will the CAISO ensure the attestation requirement by itself is sufficient and what happens if the project is not operational at an agreed-upon date?               <ul style="list-style-type: none"> <li>o What happens if an entity “locks up” a long term contract, receives import rights, and then ends up having to terminate the contract (either by force, or by choice or other reasons). To the extent the contract is terminated by choice, would this be considered as gaming the system? If so, what are appropriate rules to address the situation?</li> </ul> </li> </ul>	
<b>3c</b>	<p><b>3. Other</b> SCE does not have additional comments at this time. SCE may submit further comments later once more information becomes available.</p>	

4. Northern California Power Agency (NCPA) Submitted by: Mike Whitney		
No	Comment Submitted	CAISO Response
4a	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>NCPA appreciates CAISO’s commitment to honoring TORs, ETCs, and Pre-RA Contracts in this proposal. NCPA agrees that extending the sample period from two years to five years and increasing the sample size from two hours to four hours will help stabilize MIC results which will benefit LSEs’ resource planning efforts.</p>	Thank you for your support.
4b	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>NCPA agrees with the basic principles of the proposal that multi-year allocations will help facilitate long term RA contracts and should continue to be allocated only to the LSEs that pay for the transmission.</p> <p>NCPA agrees that there are pros and cons with both alternatives presented and has not taken a firm position on either at this time. NCPA agrees that Alternative 1 will provide an extra degree of certainty of MIC available for RA Contracts, however Alternative 2 will help free up MIC in cases of migrating or otherwise reduced load shares. Alternative 2 seems more true to the principle that MIC must be allocated to LSEs based on load. Further, the element of Alternative 1 that requires new long-term RA contracts to be pseudo-tied or dynamically scheduled for increased CAISO access seems like an unnecessary high burden that isn’t being applied to any other Import RA resources.</p> <p>As stated in Resource Adequacy Enhancements (RAE) comments NCPA firmly believes RA contracts must only specify the source Balancing Authority Area of the product in order to qualify for multi-year MIC. More rigorous standards could artificially reduce the amount of imports that can be used as RA (even if such imports can and will actually provide power to the CAISO BAA). For example, a RA import may be supplied from a system composed of multiple hydroelectric generators, which together will physically be available to support the RA import. In such case, due to the unique operating characteristics of individual resources within the system, the production of an individual resource may change over the course of a month (due to environmental requirements), but this would not reduce the ability of the system of resources to support the import.</p> <p>CAISO’s findings from the RAE 3rd Revised Straw Proposal indicate “that most SCs providing NRS-RA imports on RA showings are</p>	Your preference has been noted.

No	Comment Submitted	CAISO Response
	<p>likely providing physical capacity that has been secured in advance with firm delivery capability and operating reserves” and that only “a select number of SCs may be providing NRS-RA imports that could represent speculative supply or not be backed by sufficient reserves or firm transmission necessary to support actual delivery of energy”. This is evidence that most RA obligations are being met and that CAISO should work with the SCs that are exhibiting the questionable behavior and correct it rather than negatively affect all LSEs.</p> <p>Lastly, NCPA requests CAISO to allow extensions of Pre-RA Contracts to continue to receive grandfathering treatment and that only truly “new” contracts be subject to the new provisions. Subjecting renewed Pre-RA Contracts to the excessive requirements proposed for new contracts could also artificially disqualify historically reliable imports from the market which will drive up scarcity and prices, thus unduly harming LSEs and their ratepayers.</p>	<p>The rules for locking up new MIC allocations at the branch group level should be the same for all LSEs and contracts. Once expired a contract has lost its Pre-RA Import Commitment status. The renewal must comply with new requirements in order to lock MIC at a desired branch group.</p>
4c	<p><b>3. Other</b> No comment.</p>	

<b>5. Valley Electric Association (VEA)</b> <b>Submitted by: Brad Van Cleve</b>		
No	Comment Submitted	CAISO Response
<b>5a</b>	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>VEA supports the CAISO proposal to use the two years with the highest imports among the past five years for purposes of calculating the Maximum Import Capability for the 2021 RA Year. For future years, the CAISO should implement a mechanism to provide for MIC allocations at intertie points that are used on an intermittent basis to import power into the CAISO. VEA has interconnections with Western Area Power Administration (WAPA) at Amargosa Substation and Mead Substation and with NV Energy at Northwest Substation and Mercury Substation. The CAISO should study whether RA Capacity can be imported at Amargosa and Mercury, as well as whether MIC import capacity at Mead can be increased. Given its proximity to Hoover Dam, as well as utility scale solar developments in Southern Nevada, many imports at Mead come from high-quality – clean and shaped – renewable solar and hydro energy resources. In addition, the CAISO should implement a forward-looking mechanism to account for changes in operations and new generation and transmission facilities to predict future import capacity, rather than simply looking at historic imports over a five-year period.</p>	<p>Thank you for your support.</p> <p>The entire MIC allocation process is a forward looking process. The CAISO and stakeholders have not found yet a more realistic or fair method on “How to establish and allocate the future MIC among each branch group” other than actual energy usage plus testing for future CPUC main portfolio. Please propose a specific method for consideration.</p>
<b>5b</b>	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>VEA believes that the CAISO should adopt Alternative 1 – RA contracts always respected. The CAISO should seek to preserve the historic use of intertie capability for RA imports as reflected in long-term RA contracts, as well as encourage contracting for RA on a long-term basis.</p>	<p>Your preference has been noted.</p>
<b>5c</b>	<p><b>3. Other</b></p> <p>VEA joined the CASIO balancing authority area (BA) and became a load serving entity (LSE) in the CAISO in 2013, pursuant to the terms of a Transition Agreement with the CAISO, which was accepted by the Federal Energy Regulatory Commission on December 14, 2011. Cal. Indep. Sys. Operator Corp., 137 FERC ¶ 61,194 (2011). VEA is a rural electric distribution cooperative based in Pahrump, Nevada, which serves approximately 6,849 square miles of service territory in southern Nevada and a small portion of California. VEA is the only CAISO LSE located outside of California.</p>	<p>Your requests have been noted.</p>

No	Comment Submitted	CAISO Response
	<p>VEA owns no generating resources, and it traditionally has served its load through long-term power purchases delivered at WAPA’s Mead 230 kV Substation. In recognition of this fact, the Transition Agreement provided that the CAISO would allocate/set aside 150 MWs of Mead RA import capability as “Pre-RA Commitments” under the resource adequacy import allocation rules provided in Section 40.4.6.2 of the CAISO Tariff, for a period of ten years. VEA’s System RA obligation for 2020 is approximately 148 MW. Under the terms of the Transition Agreement, VEA’s Mead import rights expire on January 3, 2023, the tenth anniversary of the Transition Date provided in the Transition Agreement.</p> <p>Since joining the CAISO, VEA generally has continued to rely on long-term contracts delivered at Mead to provide the energy and capacity to serve its load, as well as meet its RA requirements. However, VEA also has delivered power at Amargosa, Mercury and Northwest when the Mead delivery point was constrained or unavailable.</p> <p>On June 19, 2019, VEA entered into a 20-year contract for the purchase of unbundled energy, System RA Capacity and Flexible RA Capacity. The contract requires the supplier to identify the specific resource or resources providing System RA Capacity and Flexible RA Capacity each year prior to the date for submission of annual RA Plans. VEA understands from the supplier that it intends to supply the RA from a solar plus battery storage project under development adjacent to the Mead substation in the WAPA BA.</p> <p>VEA wishes to ensure that this contract structure will qualify as a long-term resource for purposes of calculating the 3-year MIC allocation, and the related 20-year MIC lock. VEA believes that the contract meets the policy goals of the MIC multi-year allocation proposal, because it provides for a long-term RA resource, while providing the supplier the ability to use different, but specifically identified, RA Resources at the time of the annual showing each year. As a result, the actual RA product is just as firm as a contract that identifies a specific resource for a longer term. Given this firmness, it would be discriminatory to treat VEA’s contract differently. In addition, VEA entered into the long-term agreement prior to the CAISO releasing the multi-year MIC allocation proposal. For these reasons, VEA requests that the multiyear MIC allocation and locking rules permit the use of long-term contracts that provide for the identification of specific RA resources on an annual basis at the time annual RA plans are due. In recent years, the bilateral market for RA capacity</p>	

No	Comment Submitted	CAISO Response
	<p>has seen minimal liquidity. As a result, it is important to allow for source flexibility in long-term contracts to encourage liquidity in long-term RA markets.</p> <p>As noted above, VEA has a Pre-RA import allocation that will expire in 2023. Given the relatively small size of its native load, under a strict load share calculation, VEA could see a dramatic reduction in the amount of import capability at Mead using the proposed process for MIC allocation. VEA is unique due to its historic reliance on imports at Mead to serve its load, as well as its geographic location and direct connection to Mead via the 230 kV transmission line it constructed (now owned by GridLiance). Currently, VEA plans to use both the contract described above, as well as its rights to long-term federal hydro power from Hoover Dam, the Parker Davis System, and the Colorado River Storage Project to meet its RA requirements. Accordingly, VEA would like to explore measures to mitigate the impact of moving directly to a MIC allocation based on the load share quantity formula provided in the CAISO Tariff. Otherwise, a large portion of VEA's carbon-free RA resources will be stranded outside the CAISO. While it is theoretically possible that VEA could purchase MIC allocations at Mead from third parties, that market is illiquid and MIC rights at Mead are held by a small number of LSEs. Another problem is that each year some MIC allocations go unused resulting in artificially low RA imports at Mead.</p> <p>Finally, VEA is dynamically scheduling Hoover and is considering obtaining the ability to dynamically schedule some of its other external renewable RA Resources into the CAISO BA. The CAISO should revisit whether a process could be established to apply for full capacity deliverability of dynamically scheduled RA resources, especially if they are carbon free resources. This would allow California to avoid artificially limiting the import of carbon free resources due to MIC limitations.</p>	

6. San Diego Gas and Electric (SDG&E) Submitted by: Nuo Tang		
No	Comment Submitted	CAISO Response
6a	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>SDG&amp;E appreciates the CAISO's interest in stabilizing the maximum import capability (MIC). SDG&amp;E supports the CAISO's MIC stabilization proposal because the CAISO has stated that "any new proposals will not be implementable for RA year 2021." Therefore, when comparing the options of no changes to some potentially beneficial changes, SDG&amp;E supports the latter option. SDG&amp;E's support is based on SDG&amp;E's understanding of how the highest actual imports over four hours among the past five years. This is different than the current methodology in that the data set is picked among the past two years and the maximum amount of simultaneous energy schedules. SDG&amp;E requests the CAISO to clarify if the terms highest actual imports in the proposal is the same as the simultaneous energy schedules in the current methodology. Assuming these terms are the same, SDG&amp;E estimated the year over year change using the data provided in the CAISO's proposal.</p> <p>SDG&amp;E would appreciate the CAISO validating the assumptions below for the table above and/or providing similar data to stakeholders prior to drafting changes to the business practice manual. First, SDG&amp;E utilized the data from CAISO Table 1 and combined it with data from CAISO Table 3. This allowed for an estimation of the Available Import Capability for CAISO Resource Adequacy values for years 2011 through 2013. Then based on the CAISO proposal, SDG&amp;E averaged the two highest years' Available Import Capacity of the rolling five year period. This was then added to the ETC and TORs held by non-CAISO LSEs to arrive at the proposed MIC. This is followed by the year over year change for years from 2016 through 2020.</p> <p>Comparing the year over year change of the proposal to that of historical MIC available, the data does not seem to result in any greater stabilization than the current methodology because the year over year change in 2020 seem to be -5% while in the previous 2 years, the year over year change is +2%. However, the benefit is the MIC may increase from the current 15,524 MW to potentially 16,917 MW under the proposal. Therefore, SDG&amp;E is supportive of the CAISO proposal if all of the above assumptions and results are correct.</p> <p>While SDG&amp;E has advocated for a methodology that is forward looking in other Resource Adequacy stakeholder initiatives, SDG&amp;E understands the CAISO does not wish to consider such a proposal at this time. Therefore,</p>	<p>Thank you for your support.</p> <p>There is no change in methodology other than using data from the highest two years in the past five rather than just the last two years.</p> <p>SDG&amp;E is not using the correct method to calculate MIC. The CAISO has clearly described the way for calculating MIC in the PRR 1239. While the description seems long, the CAISO is merely moving the entire description for MIC calculation form a 2005 technical bulleting in the RR BPM.</p>

No	Comment Submitted	CAISO Response
	<p>SDG&amp;E provides an alternative for consideration that may be as simple to implement for the 2021 RA year.</p> <p>Rather than using the average of the two highest years in the past rolling five years, the Available Import Capability would be based on the highest historic value available. Based on the data provided in the table above or the CAISO Table 1, that value would be 13,396 MW. This value would then be augmented, by the future year available ETCs and TORs to arrive at the total actual MIC available. Based on the formula above, SDG&amp;E believes the MIC for 2020 would be 18,411 MW (13,396 MW + 5,015 MW). Generally speaking, this methodology would stabilize MIC more than using a rolling historic average or the current method. The CAISO proposal does not provide any clear evidence that the transmission system is incapable of continuing to support the same import level from 2014. While less imports have come into the CAISO BAA since then due to various reasons, nothing suggests that the grid is incapable of supporting such levels. SDG&amp;E believes the CAISO could validate this level in its deliverability studies that are performed several times a year. If at some point, actual imports increase, then the CAISO would study the simultaneous deliverability just as it proposes in its own method.</p>	<p>The CAISO believes that deliverability for the interties should not be maintained without proof of use, because it impact resources connected of trying to connect to the CAISO system near the import points. Furthermore the CAISO maintains deliverability for internal resources for a 3 year period (longer with proof of repower) and using highest two of the last five provides similar treatment for RA imports. The CAISO does not favor going back 10 years or highest point ever approach.</p> <p>Current deliverability studies have already validated that there is little to no extra deliverability available based on current level of MIC at the major interties like Paloverde, Mead or COI due to interactions with resources already on-line or committed in the CAISO queue.</p>
6b	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>SDG&amp;E recommends the CAISO to consider a long term auction mechanism that's limited to five years forward. The auction would be limited to 80 percent of future estimated MIC and be available to only LSEs. The remaining 20 percent would be made available to LSEs and market participants on a year ahead basis. The revenues from the auction would be used to offset the Transmission Area Charges that's currently allocated to all LSEs. Annually, LSEs could optimize their import capability through the CAISO's auction by buying from or selling to other LSEs. SDG&amp;E recommends the auction mechanism over that of long term allocations.</p> <p>In comparing between the CAISO alternative 1 and alternative 2, SDG&amp;E's preference would be alternative 1 because it would offer an LSE with a long term import contract, some level of consistency to be able to count the import as RA in the future rather than having to apply and hope to receive such import capacity on an annual basis. However, SDG&amp;E is concerned with the length of time to which the MIC is ear marked for a specific LSE with the CAISO not having any experience with such an approach. Particularly, if an LSE were to</p>	<p>Your preference has been noted.</p> <p>Yours preference has been noted.</p>

No	Comment Submitted	CAISO Response
	<p>lock up the MIC for 20 years but then terminates the contract during the term, could the CAISO make the MIC available to other LSEs that also have long term contracts at the same delivery point but no MIC is available? SDG&amp;E believes the CAISO's process should make such MIC available rather than hope or depend on the bilateral market to resolve this issue. Today's bilateral market for MIC is not strong and potentially strands import capability from other LSEs that could utilize it.</p> <p>Therefore, SDG&amp;E strongly recommends the CAISO to consider a long term auction mechanism for MIC.</p>	<p>The CAISO proposal reallocates the previously locked MIC to all LSEs in the next round of MIC allocations.</p>
6c	<p><b>3. Other</b> No comment.</p>	

7. Silicon Valley Power (SVP) Submitted by: Ken Kohtz		
No	Comment Submitted	CAISO Response
7a	<p><b>1. Maximum Import Capability Stabilization</b>            SVP supports NCPA's comments submitted on this topic.</p>	Thank you for your support.
7b	<p><b>2. Available Import Capability Multi-year Allocation Process</b>            SVP supports the comments submitted by NCPA on this topic.            Further, SVP supports allowing extensions of pre-RA contracts to continue to receive grandfathering treatment. If contract extensions of Pre-RA contracts are not automatically grandfathered, SVP suggests they should at least receive priority treatment for the long-term resource allocation in Alternative 1.</p>	Your preference has been noted.
7c	<p><b>3. Other</b>            In the MIC proposal, the CAISO states that "MIC is allocated to LSEs because LSEs pay for the transmission system; thus they should receive the benefits from it and choose which external resources are ultimately selected for providing RA capacity that relies on the import capability."            While SVP agrees that MIC should be allocated to LSE's since they are the entities who ultimately pay for the transmission system, we would point out that the allocation seems to be on a share of coincident peak usage vs. total energy. LSEs currently pay for transmission based on annual MWh of usage where high load factor LSE's contribute significantly more towards the recovery of transmission costs than low load factor LSE's. The CAISO initiated a stakeholder process that resulted in a future converting of the current TAC methodology to a hybrid approach where a portion of the TRR would be recovered via a coincident peak demand charge and also a remaining volumetric based charge. To ensure LSEs receive benefits in-line with what they pay for, the MIC allocation should continue to be aligned to the methodology in which LSEs pay for transmission.</p>	While the MIC allocation does not perfectly match TAC cost allocation (peak MW vs, MWh), it does match the system RA requirements since these are established by peak MW not MWh.



No	Comment Submitted	CAISO Response
	<p>Alternative 1 respects RA contracts and will not leave a contract stranded because of load migration and re-allocation of MIC.</p> <p>While SMUD supports Alternative 1 given the current proposal, Alternative 2 would be the better option if an efficient market/auction process existed to transact MIC allocations. Currently, without a transparent and efficient market process to buy/sell MIC allocation (and which requires LSEs release unneeded MIC allocation), it is difficult for LSEs to acquire MIC allocation. Since Alternative 2 relies on load migration, this leaves the LSE to manage their RA portfolio against risks of load shifting with LSEs. It may be difficult for an LSE to sell part of their RA contracts or acquire additional MIC allocation from other LSEs, and will likely discourage investments in external RA contracts.</p> <p>Regarding the proposal to lock in MIC allocations with pseudo tie, resource specific dynamic schedules or other resource specific system resources, SMUD does not take a position at this time. We only note that the CPUC proceeding addressing import RA could determine aspects of this issue and the CAISO would have to change directions to stay consistent with the CPUC.</p>	
8c	<p><b>3. Other</b> No comment.</p>	

9. The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) Submitted by: Bonnie Blair and Meg McNaul		
No	Comment Submitted	CAISO Response
9a	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>The Six Cities do not support the CAISO’s proposal to continue to use a historical methodology for establishing MIC as proposed in Section 4.1 of the Revised Straw Proposal. Please refer to the Six Cities’ additional comments below.</p>	<p>You position has been noted.</p>
9b	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>As stated in their prior comments, the Six Cities support the proposal for multi-year allocation of MIC, agree that allowing load-serving entities using MIC for import resource adequacy (“RA”) resources to retain their allocated MIC over a multi-year period will achieve stability, and agree that it is reasonable to conclude that such stability will help facilitate longer-duration RA contracts. The Six Cities also support the CAISO’s proposal to continue allocating MIC to load-serving entities (“LSEs”), to defer consideration of an auction proposal, and to provide transparency by making available public information related to LSE holders of MIC and locked MIC amounts and expiration by branch group.</p> <p>Of the two alternatives included in the Revised Straw Proposal for the Step 5 allocations of remaining import capability, the Six Cities support Alternative 1. Under this approach, LSEs that enter into RA contracts on a long-term basis may continue to rely on those contracts, even if deviations in load subsequently occur. In general, the Six Cities support the concept of LSEs having the ability to lock in MIC allocations for a reasonable period of time. To address load migration, the Six Cities do not oppose permitting LSEs to transfer MIC allocations to another LSE in conjunction with assignment of an RA contract, but it would be impractical for the CAISO to impose this as a requirement.</p> <p>With respect to the CAISO’s proposal to require that new contracts used to lock in MIC allocations should be associated only with pseudo-tied resources, resource-specific dynamically scheduled system resources, or other resource-specific system resources, (see Revised Straw Proposal at 20), the Six Cities note that issues relating to eligibility for import resources to provide RA to LSEs within the CAISO are pending in the RA Enhancements initiative. The requirements for MIC eligibility should match – and should not be either more or less stringent than – the requirements applicable to import RA resources in the RA Enhancements initiative.</p>	<p>Thank you for your support.</p> <p>Your preference has been noted.</p>

No	Comment Submitted	CAISO Response
9c	<p><b>3. Other</b></p> <p>The Six Cities continue to urge the CAISO to expand the availability of MIC beyond the currently-effective limitations based on historical energy schedules. As discussed below, the limited discussion in the Revised Straw Proposal does not justify continuing to limit the availability of MIC based on historical energy schedules during peak periods. To the contrary, the information provided in the Revised Straw Proposal supports expansion of MIC availability or, alternatively, elimination of the requirement for RA imports to demonstrate a supporting MIC allowance.</p> <p>The currently-effective approach of basing MIC availability on historical energy schedules for imports is inherently circular and precludes adaptation to changing grid and market conditions. As the Revised Straw Proposal recognizes at page 2, historical import schedules have been affected by market conditions and resource limitations that will not necessarily be applicable in future periods. Moreover, basing MIC availability on historical schedules for energy ignores the fact that the sole purpose for MIC allowances is to assess deliverability for RA capacity from resources external to the CAISO grid. Limiting MIC availability to historical energy imports both ignores and impedes the potential development of capacity resources outside the CAISO Balancing Authority Area (“BAA”) that could be committed to meet CAISO BAA load.</p> <p>In response to previous suggestions by the Six Cities and other stakeholders that MIC availability be based on the physical capabilities of interties rather than historical energy schedules, the Revised Straw Proposal observes at page 17 that “the total of physical capability of each intertie totals about 44,400 MW and the highest net import the CAISO has ever seen is around 12,500 MW.” The magnitude of the differential between intertie transfer capability and the highest level of historical import schedules does nothing to justify the limitation of MIC allowances to historical energy schedules. To the contrary, the amount of headroom in unused intertie transfer capability compels the conclusion that limiting MIC allowances to historical energy schedules is unduly restrictive.</p> <p>The Revised Straw Proposal expresses the CAISO’s view that “maintaining unused deliverability on interties would be to the detriment of new internal resources inside the CAISO (connected close to the same nodes where imports are scheduled).” But the converse is more compelling: maintaining unused deliverability for potential new internal resources precludes the use of available</p>	<p>Assessment of MIC vs SIL:</p> <p>The California Simultaneous Import (CASI) has been fairly steady across time. Currently at 12,800 MW, CASI only includes flows on California-Oregon Intertie (COI) and West of the River (WOR), however it is not just used by the CAISO; it is also used by other control areas like: BANC (SMUD, WAPA, Roseville, MID, Redding, City of Shasta Lake), TID, LADWP and CFE.</p> <p>Currently the CAISO MIC (15,525 MW) is formed of about 11,125 MW on CASI transmission plus about 4,400 MW on non-CASI transmission system. Within the ISO CASI portion of MIC, non-ISO control areas have a 2,000 MW reservation; therefore, the ISO LSEs are left with about 9,125 MW.</p> <p>MIC allocation to CAISO LSEs for use of CASI transmission plus non-CASI transmission is above the highest usage ever recorded of 12,500 MW net imports. CAISO concludes that there is no underutilization of the available simultaneous import limit on the transmission system, to the contrary.</p>

No	Comment Submitted	CAISO Response
	<p>capacity resources external to the CAISO BAA (both existing and potential) for RA purposes and unreasonably discriminates against external RA resources. Given the nearly 32,000 MW differential between total intertie transfer capability and maximum historical schedules, there is a great deal of room to substantially increase MIC allowances without unreasonably impairing deliverability for potential new internal resources. This is particularly the case if the CAISO requires MIC allowances to be locked in through demonstration of capacity contracts, an element of the Revised Straw Proposal that the Six Cities support.</p> <p>In fact, the magnitude of the differential between total intertie transfer capability and historical maximum energy schedules supports the conclusion that MIC limitations and allowances are unnecessary and simply could be eliminated without any significant risk to reliability. If CAISO LSEs had the ability to enter into RA contracts with external, physical capacity resources for delivery at specified interties without having to preestablish a MIC allowance, such RA commitments would be included in RA showings and would be subject to evaluation in the CAISO’s portfolio sufficiency analysis. If the portfolio sufficiency test identified impediments to deliverability of the external RA capacity under specified system conditions, then the CAISO could address the impact of any such deliverability concerns through the collective deficiency process. This approach also would be more consistent than the current MIC construct with the CAISO’s objective of minimizing differences in treatment between internal and external resources for RA purposes.</p> <p>The assessment of import RA deliverability under the portfolio sufficiency analysis should respect Transmission Ownership Rights (“TORs”), Existing Transmission Contracts (“ETCs”), and delivery requirements for pre-RA grandfathered capacity contracts, as occurs now in the MIC process. To the extent the portfolio sufficiency analysis identifies impediments to delivery of any non-grandfathered import RA resources under some conditions, the CAISO as a first step should work with the contracting parties for the affected resources to identify any viable work-around (e.g., evaluating the possibility of modifying the delivery point for an affected resource to a less crowded intertie Scheduling Point). If a work-around is not feasible, then necessary derating of import RA showings should occur on a last-in/first-out basis, and additional capacity necessary to address the impact of the derating should be treated as a collective deficiency. To enable LSEs to avoid contracting for new RA import capacity at Scheduling Points at risk of being over-loaded, the CAISO should</p>	<p>The TTCs are branch group by branch group independent non-simultaneous numbers and the addition of these numbers has nothing to do with how much can all interties simultaneously import. See discussion above.</p> <p>Confusion is created by trying to compare the need for simultaneously required deliverability for all RA import vs. total of non-simultaneous TTC.</p> <p>This proposal contradicts current needs for the LSEs to know ahead of time how many MWs and where deliverability exist and is allocated to them before they sign RA contracts. Eliminating MIC allocations will highly complicate RA showings validations – requiring about one month for deliverability studies to be run after showings are complete, with an unknown impact to overbooked branch groups, simultaneous overbooked imports and the CAISO back stop cost allocation because of different potential failures of an aggregate portfolio in the year ahead or month ahead bases.</p>



No	Comment Submitted	CAISO Response
	<p>post on a monthly basis the total RA import capacity identified with each Scheduling Point and the anticipated transfer capability for that Scheduling Point. Finally, to the extent specific Scheduling Points are unable to support desired RA imports to a significant degree, in terms of magnitude and persistence of deliverability impediments, the CAISO should consider transmission upgrades as part of the Transmission Planning Process.</p>	





No	Comment Submitted	CAISO Response
	<p>status of those two efforts, there is the potential that this proposal element may not align with the outcome of the other two. This could create significant problems and potentially restrict the effectiveness of this policy effort. Therefore, this policy effort should not prematurely also require that the RA import contracts necessarily be resource specific. WPTF thanks the CAISO for consideration of these comments.</p>	
10c	<p><b>3. Other</b> No comment.</p>	

11. Powerex Corp. Submitted by: Mike Benn		
No	Comment Submitted	CAISO Response
11a	<b>1. Maximum Import Capability Stabilization</b> No comment.	
11b	<b>2. Available Import Capability Multi-year Allocation Process</b> No comment.	
11c	<b>3. Other</b> <p>Powerex appreciates the opportunity to submit comments on CAISO’s March 12, 2020 Maximum Import Capability Stabilization and Multi-Year Allocation Revised Straw Proposal (“Revised Straw Proposal”).</p> <p>The Maximum Import Capability (“IC”) allocation framework seeks to achieve a rational goal: ensuring that total import resource adequacy (“RA”) contracts at an intertie delivery point do not exceed the expected import capacity of that intertie. But this goal has been pursued through a woefully inefficient process that prevents California load-serving entities (“LSEs”) from contracting with external sellers to provide import RA when there is ample import capability to support such contracts.</p> <p>Absent significant changes to the IC allocation process, Powerex anticipates that multiple California LSEs will be unable to meet their System RA requirements, perhaps as early as this year. To make matters worse, the CAISO’s ability to obtain backstop capacity through the Capacity Procurement Mechanism (“CPM”) to compensate for these deficiencies is also severely limited by the IC allocation framework, increasing the risk that the CAISO balancing authority area will not have sufficient capacity to meet System RA requirements. Importantly, this may occur in periods when surplus capability in external markets could have been committed on a forward basis to meet California’s needs, but RA (and CPM) market design inefficiencies, including the highly inefficient and discriminatory IC allocation framework, are preventing such forward commitments from occurring.</p> <p>Powerex opposes measures that fail to address the core inefficiencies of the current IC allocation process. Powerex urges the CAISO and stakeholders to replace the existing IC allocation process with one that allocates IC only in connection with a pending import RA contract. If—and only if—pending import RA contracts exceed the anticipated import capability at the associated intertie</p>	<p>The scope of the MIC allocation is to assure that such allocations are simultaneously deliverability to the aggregate of the CAISO load.</p>

No	Comment Submitted	CAISO Response
	<p>scheduling point would any type of rationing be necessary, such as an allocation based on an LSE's load-ratio share.</p> <p><u><i>The Current IC Allocation Process Strands Import Capability, Creates Artificial Scarcity, And Leads To Discriminatory Outcomes For External Suppliers Of RA</i></u></p> <p>The most problematic aspect of the current framework is that it allocates IC to LSEs upon request, without any need for a requesting LSE to demonstrate that such an allocation is needed in connection with a pending import contract under California's RA program. Moreover, an LSE receiving an allocation of IC is under no obligation to enter into an import RA contract, nor is it required to make its unused IC available to any other entity. And since LSEs do not pay a charge for IC allocations they receive, there is no incentive not to accumulate as much IC as possible. Even CAISO, when serving as the backstop purchaser of RA to address deficiencies or other challenges, does not have any way to access IC that was allocated to LSEs but that is not being used by the LSE to support an import RA contract.</p> <p>As Powerex has demonstrated on multiple prior occasions, the current allocation process leads to large amounts of "stranded" IC that is neither used by the LSEs that requested it nor released for use by others. Recent information from the California Public Utilities Commission's ("CPUC") State of the Resource Adequacy Market reports confirms that large amounts of IC continue to be stranded. In 2019, between 25% and 75% of IC went unused in every month, as shown in the table excerpted below.</p> <p>The same is true in 2020, as shown in the excerpted table below:</p> <p>By stranding large quantities of unused IC such that it is unavailable to support forward capacity purchases (and/or forward firm energy purchases) from external suppliers, the IC allocation framework creates artificial scarcity, making it appear as if additional IC is not available at an intertie, even when the actual quantity of import RA contracts at an intertie are far below the reliable import capability. This artificial scarcity can be observed in the prices for bilateral transfers of IC, which have exceeded \$6/kW-month on several occasions; a level that is nearly the full amount of the soft offer cap for capacity under the CAISO's backstop CPM. This has occurred despite there being significant quantities of unused IC.</p> <p>The artificial scarcity of IC is also reflected in the significantly lower prices paid for System RA from imports compared to System RA from internal resources. For instance, the CPUC's most recent annual RA report, for 2018,</p>	<p>The same way an internal resource within the CAISO gets to keep its deliverability even if it was unsuccessful in receiving and RA contract, the LSE holding its share of import deliverability allocation should not just lose it if it was unsuccessful in securing and RA contract.</p> <p>Any LSE no being willing to sell its unused import deliverability allocation does a disservice to its ratepayers by forgoing the potential payments for such import capability.</p> <p>As explained before some of the MIC remains unused because of the RA showings structure. In the year ahead time frame the LSEs only need to make showings for 90% of their summer months requirements; another 10% needs to be procured before the month ahead showings are due. Therefore, it is only logical to allow the receiving LSEs time to do the additional procurement, including imports until the month ahead showings. Once the month ahead showings are in, there is really no opportunity to redistribute the unused allocations since at T-45 days all LSEs have to be already compliant.</p>

No	Comment Submitted	CAISO Response
	<p>indicates that the reported price of RA imports was, on average, approximately 30% less than the price of System RA from internal resources. Importantly, this price divergence does not reflect any underlying physical market fundamentals: there is ample ability to increase the quantity of import RA contracts without exceeding the actual capability of the associated intertie, and the import RA contract would be providing the exact same service as an internal resource (i.e., meeting a California LSE's System RA requirement).</p> <p>The apparent price divergence between import System RA and internal System RA is troubling given the significant quantities of IC that are consistently left unused at CAISO's major interties. Such outcomes are inconsistent with a well-functioning, competitive market. It appears to reflect the manner in which the current IC allocation limits buyer competition between and among California LSEs in procuring RA from external suppliers. In a competitive market, if a purchaser seeks to price discriminate against external suppliers - by offering to pay them less for System RA than the prevailing internal market price for System RA - competing purchasers would appropriately thwart such efforts. But the highly inefficient IC allocation framework prevents this type of competition between California LSEs, as each LSE is effectively able to position itself—at no cost and without facing competition (and/or open access more generally)—as the “exclusive buyer” of import RA on its allocated share of CAISO import capability. An LSE can thus withhold demand on its share of the intertie in an effort to drive down the price of its import RA purchases, while still holding on to its (unused) IC allocation and thereby prevent other California LSEs from stepping in and entering into additional import RA contracts. For the reasons above, arguments to keep the IC allocation unchanged amount to an attempt to retain a glaring market inefficiency that negatively impacts reliability and efficient market outcomes.</p> <p><u><i>IC Should Only Be Allocated In Connection To A Pending RA Contract</i></u></p> <p>Comprehensive reform is urgently needed to ensure that the IC of the CAISO grid is fully and efficiently utilized for its intended purpose: enabling rather than blocking import RA contracts. It should be recognized as unacceptable for an LSE to request and receive a free allocation of IC from the CAISO, in the absence of a pending import RA contract, and then simply “sit” on this allocation while other LSEs are unable to obtain the IC they need to enter into import RA contracts and fulfill their RA requirements.</p>	<p>One of the main principles that govern the MIC allocations was always for the CAISO to provide MIC allocations first, LSEs to purchase RA contract second (with allocations already available to them). The CAISO will need concurrence from majority of LSEs that changing that paradigm is preferred, plus RA showings structure needs to change, with RA import contracts requests coming much sooner than the rest of the showings.</p>

No	Comment Submitted	CAISO Response
	<p>Powerex believes the deficiencies of the existing IC allocation must be addressed by replacing the existing “IC allocation upon request” approach with a framework that only allocates IC once the CAISO is presented with a pending import RA contract that would actually encumber import capability at an intertie. An LSE would request an allocation of IC by demonstrating that it has a pending RA contract with an external resource at a specific intertie. The CAISO would then allocate available IC in the specific months and in the specific quantities committed to under the pending contract. To the extent a pending contract is for a term of longer than one year, the IC allocation also could be for a period longer than one year, providing the multi-year certainty that the current stakeholder process seeks to achieve. If the total capacity of pending RA contracts at a given intertie exceeds the remaining available IC at that intertie, then—and only then—would IC be genuinely scarce, and need to be rationed among the requesting LSEs. The allocation of scarce IC could continue to reflect the requesting LSEs’ load-ratio share, or the CAISO and stakeholders may wish to explore alternative methods.</p> <p>The approach proposed above would fulfil the original purpose of the IC allocation by ensuring that import RA contracts at an intertie do not exceed the actual expected capability of that intertie. Importantly, however, IC would not be “stranded” and no artificial scarcity would be created. Instead, this type of approach would maximize the efficient utilization of import capability, providing all California LSEs with the maximum range of options for meeting their RA requirements.</p>	

<b>12. California Municipal Utilities Association (CMUA)</b> <b>Submitted by: Tony Braun, Braun Blasing Smith Wynne, P.C. (BBSW), Council to the CMUA</b>		
No	Comment Submitted	CAISO Response
<b>12a</b>	<p><b>1. Maximum Import Capability Stabilization</b>            The comments of the California Municipal Utilities Association (CMUA) suggest broader changes to the Maximum Import Capability (MIC) paradigm and are included in Section 2 below.</p>	<p>Your proposal has been noted.</p>
<b>12b</b>	<p><b>2. Available Import Capability Multi-year Allocation Process</b>            CMUA appreciates the work that the California Independent System Operator Corporation (CAISO) has done in this initiative to reassess the MIC methodology in light of other possible Resource Adequacy (RA) rule changes including three-year forward RA obligations adopted by some Local Regulatory Authorities.</p> <p>As the CAISO pointed out in its Issue Paper, the MIC approach stemmed from a Federal Energy Regulatory Commission (FERC) Technical Conference, and dates back to 2005. CMUA was actively involved in that Technical Conference and supported the MIC proposal and subsequent FERC filing. However, the MIC construct is 15 years old and is in need of a fundamental refresh.</p> <p>CMUA has monitored this initiative but not provided comments previously as this issue has not had, historically, a significant impact on CMUA members, whom are publicly owned utilities. However, certain CMUA members are now reporting difficulty securing MIC to support possible import RA purchases. This difficulty stems not from the fact that the MIC is being fully utilized, but from the fact that secondary markets are not liquid and MIC is difficult to obtain to match desired commercial transactions, even for internal Load Serving Entities (LSEs) in the CAISO whom may receive allocations. An auction will not solve this problem because auction right-holders would likely still not be matched with RA transactions. In any event, auctions violate the fundamental premise that load pays for the embedded costs of the system and should be allocated these instruments as a consequence of that fact. A more fundamental reform is in order.</p> <p>Most of the discussion and work performed in this initiative has focused on the MIC calculation methodology. However, CMUA members report that it is the cumbersome allocation process that is inhibiting beneficial purchases of RA</p>	

No	Comment Submitted	CAISO Response
	<p>imports. This becomes more critical as the CAISO itself has documented its concerns about RA shortfalls in near and medium terms.</p> <p>So long as the MIC instrument is used to ration import capability for RA purposes, CMUA fears that all the improvements to the MIC methodology and the associated stabilization will not fundamentally improve the ability of California LSEs to access RA imports.</p> <p>A simpler and more fundamental approach is called for: CMUA suggests eliminating the use of the MIC for the purposes of rationing and counting the deliverability of RA imports.</p> <p>CMUA believes this position is supportable for several reasons. First, RA imports do not appear to approach aggregate MIC limitations, either under the existing or other contemplated methodologies. As Southern California Edison Company (SCE) indicated in its comments, energy deliveries are even lower. Thus, MIC inhibits matching willing buyers and sellers of RA import capacity rather than protecting system reliability.</p> <p>CMUA recognizes that a hypothetical “chicken and egg” argument could be put forward, namely that it is the MIC requirement that is preventing procurement of RA capacity beyond the capability of the system to deliver. This argument seems to stretch credibility. Based on CMUA’s understanding, RA imports would have to double or even triple to reach the aggregate MIC limitations. Given the tightness of the overall regional capacity picture, this seems highly unlikely. If the amount of RA imports did go up significantly, it would confirm the fact that the artificial MIC convention is unreasonably restraining trade of RA products between Balancing Authority Areas (BAAs).</p> <p>Second, CMUA understands the CAISO is proposing to perform a portfolio assessment of the shown RA resources that should enable the CAISO to identify if RA imports may begin to stress the overall system limitations or the limitations of any particular intertie. If CAISO LSEs had the ability to enter into RA contracts with external, physical capacity resources for delivery at specified interties without having to preestablish an MIC allowance, such RA commitments would be included in RA showings and would be subject to evaluation in the CAISO’s portfolio sufficiency analysis. If the portfolio sufficiency test identified impediments to deliverability of the external RA capacity under specified system conditions, then the CAISO could address the impact of any such deliverability concerns through the collective deficiency process. This approach also would be more consistent than the current MIC</p>	<p>Eliminating MIC allocations will highly complicate RA showings validations – requiring about one month for deliverability studies to be run after showings are complete, with an unknown impact to overbooked branch groups, simultaneous overbooked imports and the CAISO back stop cost allocation because of different potential failures of an aggregate portfolio in the year ahead or month ahead bases.</p> <p>Portfolio assessment was intended to capture most failure of the RA fleet to meet energy needs across all hours. The CAISO portfolio assessment in current form does not address the need for deliverability studies.</p> <p>Failure to comply with import deliverability should be first allocated based on cost causation. Simple example MIC=100 MW, LSE1 is 50% of load LSE2 is 50% of load, LSE1 RA import showings 0 MW, LSE2</p>

No	Comment Submitted	CAISO Response
	<p>construct with the CAISO's objective of minimizing differences in treatment between internal and external resources for RA purposes.</p> <p>CMUA recognizes that the CAISO must still make assumptions in its Transmission Planning Process (TPP) regarding MIC and import flows to assess deliverability of internal resources. At the end of the day, flows on the system should be driven by the overall economic dispatch of the system, not what is identified as designed RA resources.</p> <p>These two data sets may not match up. CMUA supports the need to do deliverability studies, and supports studies that are not driven by particular outcomes such as favoring internal or external resources in the deliverability assessment. BUT, that is not the same as then converting the assumptions into a commercial instrument that is cumbersome and restrains LSE ability to procure RA imports.</p> <p>As a final matter, the assessment of import RA deliverability under the portfolio sufficiency analysis should respect Transmission Ownership Rights (TORs), Existing Transmission Contracts (ETCs), and delivery requirements for pre-RA grandfathered capacity contracts, as occurs now in the MIC process. To the extent the portfolio sufficiency analysis identifies impediments to delivery of any non-grandfathered import RA resources under some conditions, the CAISO as a first step should work with the contracting parties for the affected resources to identify any viable work-around (e.g., evaluating the possibility of modifying the delivery point for an affected resource. If a work-around is not feasible, then necessary derating of import RA showings should occur on a last-in/first-out basis, and additional capacity necessary to address the impact of the derating should be treated as a collective deficiency. This derating would be similar to derating of internal resources that results from CAISO's deliverability assessment. To enable LSEs to avoid contracting for new RA import capacity at Scheduling Points at risk of being over-loaded, the CAISO should post on a monthly basis the total RA import capacity identified with each Scheduling Point and the anticipated transfer capability for that Scheduling Point. Finally, to the extent specific Scheduling Points are unable to support desired RA imports to a significant degree, in terms of magnitude and persistence of deliverability impediments, the CAISO should consider transmission upgrades as part of the TPP.</p>	<p>RA import showings 150 MW. It is unfair to have LSE1 pay 50% of the costs of the CAISO need to buy 50 MW of CPM because LSE2 purchased RA imports above its allocation and in this case above all allocations..</p>

No	Comment Submitted	CAISO Response
12c	<p><b>3. Other</b></p> <p>CMUA recognizes that it is proposing a sweeping change to the current policy, and making this proposal after two rounds of comments in this initiative. CMUA's thinking on this issue did not crystalize until a review of the most recent stakeholder comments and discussions on RA imports in Track 1 of the California Public Utilities Commission RA proceeding (R. 19-11-009). CMUA is concerned that anything less than its proposed changes will not fundamentally remove the artificial impediments to trading RA among BAAs, which impediments are contributing to lessened supply being available to meet RA requirements for California LSEs.</p>	<p>RA resources and/or imports must be deliverable to the aggregate of load. Without deliverability these contracts are energy only and they cannot count for RA. Moving deliverability studies at the end of the RA showings process will highly complicate RA showings validation, allocation of the CAISO CPM back-stop costs and will extend the time required for such validations by close to one month.</p>





No	Comment Submitted	CAISO Response
	<p>basis – rather than only reviewing them immediately before the third year. Staff believes rolling review of multiyear contracts is vastly preferable to reviewing them only just before the third year, particularly if an LSE intends to use multi-year contracts to meet RA obligations before the third year. Accordingly, staff also supports a “first come, first served” basis for locking multi-year MIC allocations on a given branch group, since it is unclear how the alternative (competition during an “open window”) would be compatible with rolling review.</p> <p>In summary, if staff’s understanding of Alternative 2 (as described in the preceding paragraphs) is correct, then staff supports Alternative 2 with the following caveats and clarifications:</p> <ul style="list-style-type: none"> <li>• CAISO should specify that only contracts with pseudo-tied resources and resource-specific dynamically scheduled system resources would be able to lock MIC allocations, consistent with D.19-11-016 in the Integrated Resource Plan proceeding.</li> <li>• CAISO should lock multi-year MIC allocations at branch groups on a “first come, first served” basis.</li> </ul> <p>Staff also has comments on certain other aspects of CAISO’s multi-year allocation proposal. Assuming CAISO limits multi-year contracts to pseudo-tied resources and resource-specific dynamically scheduled system resources, staff agrees that “any ‘evergreen’ or ‘life of the plant’ type contracts [should be] assumed to expire at the end of every 20-year period and the LSE must go through the process of locking up MIC allocations again at their current established load ratio share.” Similarly, staff agrees that “[a]ny renewal or extension of expiration date of an existing contract should constitute a new contract and the LSE must go through the process of locking up MIC allocations again at their current established load ratio share.” Staff agrees with CAISO’s proposal to enhance transparency by publishing “information related to the LSE holder and locked up amounts, including expiration years, for each individual branch group.” Finally, staff reiterates our support for CAISO’s proposed changes to the Remaining Import Capability allocation methodology.</p>	
13c	<p><b>3. Other</b> No comment.</p>	

14. Pacific Gas & Electric (PG&E) Submitted by: Jared Rist		
No	Comment Submitted	CAISO Response
14a	<p><b>0. General items</b></p> <p>Pacific Gas and Electric Company (PG&amp;E) offers the following comments on the California Independent System Operator's (CAISO) Maximum Import Capability (MIC) Stabilization and Multi-Year Allocation Revised Straw Proposal. PG&amp;E appreciates the opportunity to comment on this issue and CAISO's efforts to advance the initiative.</p> <p>PG&amp;E will offer comments on the specific sections below that the CAISO is requesting feedback on after first addressing some overall concerns about the proposal. PG&amp;E encourages the CAISO to provide a discussion in the next paper as to the driver for designing multi-year allocations and encouraging long term contracting. PG&amp;E understands there may be benefits for LSEs towards CPUC long term contracting requirements, RPS portfolio content requirements, and pseudo-tie import targets for IRP procurement, however it seems that these drivers should be explicitly discussed by the CAISO. PG&amp;E at this point supports multi-year allocations of MIC as long as allocation follows load and there is not a use it or lose it provision associated with the allocations.</p> <p>Additionally, PG&amp;E continues to urge the CAISO to work closely with the CPUC in designing the appropriate provisions for MIC calculation and multi-year allocations. The CPUC might have additional contracting information that would be valuable for the CAISO to consider. As we discuss later in the comments, the CPUC has pointed out that some branches have been difficult for LSEs to transact at, and as such the CAISO should work with the CPUC to determine how most appropriately to allocate the overall MIC to the appropriate branches, not just where energy is flowing in HASP but where contracting can be done.</p> <p>Additionally, PG&amp;E is concerned that MIC stabilization and multi-year allocations is being fast tracked outside of RA Enhancements. There are many concerns and details with Import RA that are directly related to the larger RA framework being addressed in the RA Enhancements initiative. One important bigger picture RA concern is the question of double counting. The CAISO seems to be implying in this initiative that its new rules around import RA will eliminate the issue of double counting in the west and ensure that the CAISO will have access to capacity outside its footprint when conditions are tight. How</p>	<p>Your preference is noted.</p> <p>Please see ISO response to CPUC comments in the straw proposal phase.</p> <p>The CAISO is coordinating these two initiatives to assure seamless integration.</p>

No	Comment Submitted	CAISO Response
	<p>has this issue been changed or resolved by either this initiative or RA Enhancements?</p> <p>Furthermore, PG&amp;E does not believe that the CAISO should be filing BPM PRR 1239 at this time while stakeholders are still working with CAISO on these topics. This BPM PRR filing is premature and PG&amp;E will file comments that reflect our concerns with the process and specific concerns with the proposal, in particular the branch by branch allocation of MIC based upon historic HASP schedules.</p>	<p>In order to allow meaningful stakeholder input into the two months long BPM PRR process, the CAISO had to start the process in late March for an early June implementation otherwise the CAISO would have to include an emergency PRR in either late April or late May that would have been effective immediately therefore with little or no stakeholder input.</p>
14b	<p><b>1. Maximum Import Capability Stabilization</b></p> <p>PG&amp;E believes that the CAISO's current proposal for calculating the total MIC based on an average of high import values for the last 5 years as opposed to 2 years is an improvement to the current system. The CAISO has accurately identified how factors such as dry hydro years in the future might lead to unnecessary reductions in the MIC calculation if a historical calculation was only averaged based on the previous 2 years. By expanding the historical horizon to 5 years, the MIC may change less frequently than it currently does which may achieve the goal of additional stability. The expanded window may also give imports more comparable treatment to internal resources which get protection of deliverability for 3 years.</p> <p>PG&amp;E does not necessarily believe the MIC needs to be forward looking to account for a potential increased reliance on imports in the future as internal gas generation retires. Based on the CAISO's formula for MIC calculation, any increased reliance on imports during peak hours in a particular year will be reflected in the next years MIC calculation. This appears to be only a slight lag and thus will account for any future increased reliance on imports.</p> <p>While PG&amp;E agrees with the counting methodology for coming up with the total MIC, PG&amp;E does not necessarily agree that the HASP schedules/flows used to calculate the overall MIC should be the MIC values that are applied to the individual interties. The CAISO is proposing that each intertie's MIC value will be based on the same HASP schedules that the CAISO used for the overall MIC calculation and averaged over the 4 separate hours. HASP schedules reflect actual energy flows that would happen on the grid. This is problematic for an individual intertie assignment process because actual energy flowing does not perfectly equate with the ability to transact at a particular branch group. Just because energy is flowing on an intertie in a model does not mean</p>	<p>Thank you for your support.</p> <p>This is the current methodology and not subject to change at this time, the CAISO is only moving the description of the current methodology from a 2005 technical bulletin into the RR BPM.</p>

No	Comment Submitted	CAISO Response
	<p>that an LSE will be able to easily transact for an energy contract at that branch group. The energy that flowed on an intertie in a HASP schedule could be due to a transaction at another branch group next to it, not necessarily because a contract was had at that particular branch group.</p> <p>For this reason, many stakeholders are concerned 1) because the historical flows from HASP schedules do not all represent energy from RA imports 2) that some of the MIC has been constrained and unused due to hard to transact at branch groups and 3) that the allocation of MIC to each particular intertie should not be completely based upon the historical HASP schedules at each intertie. As some stakeholders have noted, the CAISO could use these historical HASP schedules as a starting point for determining the MIC value at each intertie, but should consider altering the values at particular branch groups, decreasing the value at harder to transact at branch groups and increasing the value at easier to transact at branch groups, such that the value does not exceed the physical capacity of the interties. Additional analysis would be helpful in determining the correct way to allocate the overall MIC properly to each intertie. As the CPUC had requested in the last round of comments, analysis on how much unused MIC is associated with interties that are more difficult to contract at would be very helpful. The CAISO should work with the CPUC, who may have more contracting information than the CAISO, through the process of determining the most appropriate way to allocate MIC to each intertie.</p>	<p>CAISO is willing to pursue other methodologies for RA years 2022 and beyond. The CAISO cannot move existing deliverability from one branch group to another the same way the CAISO cannot move deliverability for internal resources at different buses. A new methodology needs to be designed to factor in RA usage or RA contract availability at different branch groups.</p>
14c	<p><b>2. Available Import Capability Multi-year Allocation Process</b></p> <p>PG&amp;E appreciates the CAISO proposal to increase transparency around import contracts by proposing to make public information related to the LSE holder and locked up amounts, including expiration years, for each individual branch group.</p> <p>PG&amp;E strongly believes as it relates to the allocation of remaining import capability (RIC) that the load ratio share of an LSE is preeminent. It is important to ensure that those who pay for the transmission system attain the benefits of that system in proportion to what they pay. The MIC allocation that is most equitable for customers is one that provides proportional benefit to the customers for the proportion of the grid they are paying for. The CAISO's Alternative 2 proposal which recognizes load ratio share as 'always respected' is the most equitable solution for allocating MIC. PG&amp;E suggests that the</p>	<p>Your preference has been noted.</p>

No	Comment Submitted	CAISO Response
	<p>CAISO allocate MIC to LSEs and use load migration as a way to change MIC holdings, in the same way it does for CRRs.</p> <p>PG&amp;E does not support a MIC allocation for 20 years (for longer term RA contracts) if the CAISO were to choose to move forward with Alternative 1, which would always respect existing RA contracts. There is too much uncertainty that far into the future and if an LSE's load profile changed dramatically, it would not be fair to other transmission paying customers if an LSE were allowed to hold on to 10- and 20-year RA contracts. PG&amp;E urges against this alternative and strongly against 10- and 20-year RA contracts in that framework. The only scenario PG&amp;E sees as potentially appropriate for such a contract length in that scenario is if the LSE is paying for the transmission for a new resource.</p> <p>PG&amp;E is having a hard time understanding and requests clarity on the section of the straw proposal titled Sell or cancellation of contracts used to lock MIC allocations in which the CAISO mentions that a LSE will "lose its benefit in the next RA allocation process" when a LSE sells or cancels a RA import contract used to lock MIC allocations. What exactly is the benefit that is lost and in which RA allocation process? Additionally, how does this lost benefit interact with load ratio share in the next RA allocation process? PG&amp;E finds a potential use it or lose it rule problematic because it incentivizes an LSE to use the import RA whether it is economic or not so that it can retain rights to the MIC in the future. If the CAISO could go through an example of this in more detail in the next paper that would be appreciated.</p> <p>PG&amp;E asks the CAISO to provide a detailed timeline explaining how the new MIC assignment will work. On the timeline, the CAISO should provide clear examples on:</p> <ul style="list-style-type: none"> <li>• The MIC allocation rule: the timeline should highlight when the MIC is calculated and when the MIC is allocated 3 years out and 1 year out.</li> <li>• The sell/cancellation rule: the CAISO should provide examples on how the sell/cancellation rule will affect the LSEs in future MIC allocation in the 3 years out and 1 year out timeframe.</li> </ul>	<p>Your preference has been noted.</p> <p>The benefit is to have secured and locked MIC allocations at a certain branch group. The CAISO fully expect certain branch groups to have more locked contracts than other – potentially be fully subscribed. The CAISO will continue to do an MIC allocation process every year and after the contract is canceled, the LSE will lose its benefit above in the next MIC allocation process.</p> <p>Detail will be provided in future iterations of the proposal.</p>
14d	<p><b>3. Other</b></p> <p>PG&amp;E appreciates the CAISO's efforts to ensure that capacity built outside California to support CAISO load will be available and accessible to California on the same basis as RA capacity in the CAISO balancing area is available to</p>	<p>Unlike the rest of RA imports, pseudo-tied resources, resource-specific dynamically scheduled system resource or other resource-specific system resource are treated like the CAISO internal resources from an</p>



No	Comment Submitted	CAISO Response
	<p>the CAISO. This is important to assure that all resources in the RA program are contributing towards reliability of the CAISO system. Double counting in the west has been a worry for a while as the CAISO has been reliant on imports that might also be counted on for reliability capacity in other BAAs. PG&amp;E asks for clarification on how associating new contracts used to lock MIC allocations with only either pseudo-tied resources, resource-specific dynamically scheduled system resource or other resource-specific system resource will eliminate this potential problem of double counting.</p>	<p>energy market perspective and they cannot be counted by other BAAs as their own resources. They have much tighter must offer obligation that the rest of the import resources. See CPUC explanation under 3b above.</p>