California ISO

Stakeholder Comments Template

Maximum Import Capability Stabilization and Multi-year Allocation

This template has been created for submission of stakeholder comments on the Maximum import capability stabilization and multi-year allocation revised straw proposal that was published on March 12, 2020*.* The paper, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/Maximum-import-capability-stabilization-multi-year-allocation.

Upon completion of this template, please submit it to regionaltransmission@caiso.com. Submissions are requested by close of business on **April 2, 2019**.

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

☐ Support
☐ Support w/ caveats
☐ Oppose
☐ Oppose w/ caveats
☐ No position

Pacific Gas and Electric Company (PG&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&E appreciates the opportunity to comment on this issue and CAISO's efforts to advance the initiative.

PG&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&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&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&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 allcoations.

Additionally, PG&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.

Additionally, PG&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 inititiave 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 has this issue been changed or resolved by either this initiatitve or RA Enhancements?

Furthermore, PG&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&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.

The following comments are as it relates to the specifics of the initiatitve.

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

1. **Maximum Import Capability Stabilization**

   Please provide your organization's feedback on the maximum import capability stabilization topic as described in section 4.1. Please explain your rationale and include examples if applicable.

PG&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.

PG&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.

While PG&E agrees with the counting methodology for coming up with the total MIC, PG&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 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.

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.

2. Available Import Capability Multi-year Allocation Process

Please provide your organization's feedback on the available import capability multi-year allocation process topic as described in section 4.2. Please explain your rationale and include examples if applicable.

PG&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.

PG&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&E suggests that the CAISO allocate MIC to LSEs and use load migration as a way to change MIC holdings, in the same way it does for CRRs.

PG&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&E urges against this alternative and strongly against 10- and 20-year RA contracts in that framework. The only scenario PG&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.

PG&E is having a hard time understanding and requests clarity on the section of the straw proposal titled <u>Sell or cancelation of contracts used to lock MIC allocations</u> 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&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.

PG&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:

- <u>The MIC allocation rule</u>: the timeline should highlight when the MIC is calculated and when the MIC is allocated 3 years out and 1 year out.
- <u>The sell/cancellation rule</u>: 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.

Additional comments

Please offer any other feedback your organization would like to provide on the Maximum import capability stabilization and multi-year allocation revised straw proposal.

PG&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 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&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.