



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 second revised straw proposal that was published on May 21, 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 **June 11, 2020**.

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 second revised straw proposal:

- Support
 Support w/ caveats
 Oppose
 Oppose w/ caveats
 No position

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 5.1. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Comments: The Six Cities support the concept of enhancing the stability of Maximum Import Capability ("MIC") and consider the proposal to utilize import data from the two years with the highest actual imports (when load is at or above 90% of that year's

peak) among the past five years as an incremental improvement over the current methodology. As discussed in the Additional Comments section below, however, the CAISO should develop and implement much more substantial revisions to the MIC construct so as to enhance the ability of LSEs to access import resources for Resource Adequacy (“RA”) purposes.

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

Six Cities’ Response: See the Additional Comments section below.

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 5.2. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities’ Comments: The Six Cities consider the CAISO’s proposal to allow LSEs to lock in MIC allocations under certain circumstances to support multi-year RA contracts to be an incremental improvement over the existing process, which fails to provide any support for multi-year RA imports (other than pre-RA commitments or RA resources delivered over ETCs or TORs). As discussed in the Additional Comments section below, the CAISO should develop and implement much more substantial revisions to the MIC construct so as to enhance the ability of LSEs to access import resources for Resource Adequacy (“RA”) purposes on a multi-year basis.

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

Six Cities’ Response: See the Additional Comments section below.

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.

Six Cities’ Comments: The Six Cities continue to urge the CAISO to take immediate steps to pursue more significant revisions to the MIC framework. As currently implemented, and even with the incremental enhancements the CAISO now proposes to adopt, the requirement to obtain a MIC allowance to qualify any import resource for RA purposes is an unreasonable and discriminatory barrier to RA imports that is contrary to the principle of open access transmission. Because the MIC that is available for allocation is based on historical levels of imports, the MIC requirement unreasonably impedes the ability of Load Serving Entities (“LSEs”) to enter into RA contracts with external resources and the ability of external resources to sell RA capacity. 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 BAA that could be committed to meet CAISO BAA load. It is a circular construct that has led to a downward spiral of available MIC, obstructing efficient use of external resources available for RA purposes.

The rules generally applicable under the Federal Energy Regulatory Commission's open access transmission policy do not permit transmission providers to refuse access to available transmission capacity based on historical usage patterns. In response to a request for firm transmission service, a transmission provider must provide service if capacity is available.¹ The CAISO's March 12, 2020 Revised Straw Proposal observed 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 demonstrates clearly that limiting MIC allowances to historical energy schedules is unduly restrictive and contravenes FERC's open access policy. Recognizing that unused transmission capability may not be evenly distributed among import branch groups, the nearly 32,000 MW differential between total intertie transfer capability and maximum historical net import schedules compels the conclusion that there is a great deal of room to substantially increase MIC allowances without exceeding branch group limitations and without unreasonably impairing deliverability for potential new internal resources, while continuing to preserve the existing grandfathered priority MIC allowances for pre-RA commitments and TORs.² The CAISO has made no attempt to demonstrate otherwise.

In light of the magnitude of the differential between total intertie transfer capability and historical maximum energy schedules, the Six Cities suggested in their April 2, 2020 comments on the Revised Straw Proposal 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 pre-establish 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 stated objective of minimizing differences in treatment between internal and external resources for RA purposes.

¹ If existing transmission capacity is not available to provide requested service, then the transmission provider must make reasonable efforts to develop additional capacity, subject to recovery of costs.

² Retaining the grandfathered priority for pre-RA commitments and TORs is consistent with FERC's open access transmission policy and should be preserved under any framework that may be considered.

The CAISO's response to this suggestion, at page 24 of the Second Revised Straw Proposal, is non-sensical. The CAISO expresses concern that eliminating the MIC requirement and assessing deliverability of RA resources upon inclusion in RA showings could result in high risk that simultaneous delivery of RA contracts would be infeasible. That concern, however, is premised on the continued application of MIC at the current level based on historical energy imports, which the CAISO has not justified. The Second Revised Straw Proposal also raises timing objections to the Six Cities' suggestion, but it makes no effort to consider whether there may be ways to revise applicable timelines to accommodate deliverability analyses of RA showings after-the fact or contractual adaptations to avoid stranded RA commitments going forward. Moreover, even if it were demonstrated through reasoned analysis that elimination of MIC requirements altogether is infeasible or might have undesirable consequences, that does not justify continuing application of MIC limits that are unduly restrictive, unrelated to any real limitations on transmission capacity, and therefore inconsistent with open access principles.

On several occasions the CAISO has pointed to the fact that stakeholders agreed upon the MIC framework in 2005 through a FERC technical conference process, implying that this provides a reason to retain the existing MIC rules. See, e.g., the January 22, 2020 Straw Proposal at page 4 and the March 12, 2020 Revised Straw Proposal at page 4. That suggestion, however, ignores the numerous and extensive revisions to nearly every aspect of the CAISO's market design (other than MIC) since 2005. The CAISO has justified the myriad revisions to its market rules as enhancing efficient use of resources or responding to changing market conditions or both. There is no justification for considering the fifteen-year-old MIC framework as sacrosanct and exempt from any need to adapt to changing market conditions. The existing MIC construct, even with the incremental improvements now proposed by the CAISO, is unjust, unreasonable, unduly discriminatory, and inconsistent with open access principles, and it impedes efficient use of regional capacity resources. It should either be eliminated or reworked (substantially, not incrementally) and now, not at some unspecified future time.