

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
Nora Sheriff Alcantar & Kahl 415-421-4143 Counsel	CLECA	March 16, 2016

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

Please provide feedback on the Regional RA Straw Proposal topics:

General comment:

CLECA agrees with the many stakeholders that find the CAISO's current timeline inadequate, imprudent, and infeasible. Like SDG&E, given the lack of detail in the current Regional Resource Adequacy (RA) Straw Proposal on multiple, complex, interrelated issues, CLECA believes a June 2016 board vote on the policy is premature. The Regional RA Straw Proposal suggests sweeping changes to the current RA process in California and, in certain aspects at least, to the PacifiCorp Integrated Resource Plan (IRP) process. The California Public Utilities Code sets certain requirements for current California RA process; PU Code §380.(a) provides "***The commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load serving entities.***"¹ It is not clear how – or if – this or other statutory requirements would be met under the Regional RA Straw Proposal. Indeed, it is not clear if the proposal contravenes state law. As the Regional RA Straw Proposal itself states, "The framework does not have all of the details spelled out at this time."² The proposed changes require far more development and detail, with methodologies specified to enable potential impacts on cost and reliability to be determined. Without such detail, stakeholders cannot realistically evaluate the merits of the proposed changes and are hard-pressed to take reasoned positions to help inform the CAISO's consideration of a Regional RA policy. Indeed, such details should be fully vetted before the CAISO staff takes such a sweeping proposal to its board of governors or proposes major tariff changes. RA policy is important. Mistakes can lead to multiple issues, including increased costs, over-procurement or under-procurement of

¹ P.U. Code Section 380.(a) (emphasis added). The passage of SB 350 did not revise the statutory requirements for the CPUC to establish RA requirements for LSEs.

² Regional RA Straw Proposal, at 3.

resources, and misallocation of costs and responsibilities. More time is needed for this important policy development.

1. Load Forecasting

The Regional RA Straw Proposal states that the CAISO will revise its RA tariff section to enable it to create the “coincident system load forecast for an expanded BAA [Balancing Area Authority].”³ In creating this forecast, how will CAISO treat differences between California Energy Commission (CEC) Integrated Energy Policy Report (IEPR) load and PacifiCorp load forecasting? The Regional RA Straw Proposal says it must “balance the current California load forecasting process with the needs of a broader organization in which many new entities effectively conduct their own load forecasting.”⁴ But no detail is provided on how that “balance” would be struck where the load forecasting processes may differ. Notably, the IEPR load forecast is performed pursuant to California statute and is informed by California Public Utility Commission policy decisions. The Regional RA Straw Proposal simply states that the CAISO, similarly to the CEC’s current practice, could make “adjustments” to a load serving entity’s (LSE’s) forecasts.⁵ It also states that once all the load forecasts have been provided to the CAISO, it would calculate the system peak load forecast, system peak coincidence, and coincidence factors for all LSEs’ load forecasts. There are many complexities associated with load forecasting, system coincidence calculations and coincidence factor adjustments, and many different approaches. The CEC has been forecasting for years and continues to refine its methodologies. The CAISO has no similar expertise and has provided no details on how it would actually undertake this new responsibility.

The CAISO has provided no information on any sequence or timeline for Local Regulatory Authority (LRA) input to LSEs for the load forecasting. PacifiCorp’s IRP process occurs every two years; will that change to a one-year process as the RA forecasts must be done yearly?

The Regional RA Straw Proposal states that “[a]ll hourly load forecasts should include impact from Demand Response, Additional Achievable Energy Efficiency, and Distribution Generation.”⁶ However, in response in part to pressure from the CAISO, the California agencies will take a markedly different approach to how Demand Response is treated in terms of the forecast and RA.⁷ The new treatment for Demand Response depends on whether the Demand Response is considered load-modifying (in which case the CEC includes the impact in the hourly

³ Regional RA Straw Proposal, at 4.

⁴ Regional RA Straw Proposal, at 10.

⁵ Regional RA Straw Proposal, at 10.

⁶ Regional RA Straw Proposal, at 10.

⁷ *See, generally*, CPUC Decision 14-03-026 (defining bifurcation of demand response into load modifying and supply resource); *see also id.*, at 21 (‘In support of categorizing the demand response programs now, the CAISO stated that “a resource adequacy double counting problem occurs if demand response is not clearly classified as either a supply-side or demand-side resource.” The CAISO also claims that if Supply Resources are withheld from the market, they cannot be optimized and do not contribute to price formation in the wholesale market.’) *see also* CPUC Decision 14-12-024, at 28 (“we require full bifurcation of demand response by 2018, following a 2016-2017 transition period”); *see also id.*, at 30 (“beginning January 1, 2018, the transition period will be over and all demand response programs will need to meet resource adequacy rules to either reduce the resource adequacy requirement as a load-modifying resource or to count toward meeting the resource adequacy requirement as a supply resource”).

forecast used to set the RA requirement) or supply resource (in which case it can meet the RA requirement). How will this difference in the treatment of Demand Response for load forecasting be addressed? Is it different from how PacifiCorp treats Demand Response in its load forecast? Also, will the CAISO adjust the system load forecast for behind-the-meter solar or other customer generation? If so, how?

At the March 2 policy development meeting, CPUC staff noted that California's load forecasting process is well established; CLECA asked if the CAISO intended to change the IEPR process and Joint Agency Steering Committee's role. The response was yes, because load forecasting needs to be done on a regional basis. Those "adjustments going forward", however, have not been detailed beyond the broad statement that the CAISO would calculate the coincident system load forecast (for the entire expanded regional footprint) and then the coincidence factor and identify load ratio shares for each load serving entity. This broad statement provides no information as to how this would actually occur, making it hard for stakeholders to provide any input other than to ask for more information.

Stakeholders also asked at the March 2 policy development meeting whether any lessons had been learned in terms of PacifiCorp's forecasting and integration into the Energy Imbalance Market. While recognizing this as a "good question", the CAISO "did not know how to respond." CLECA suggests a closer look at this "good question", in addition to the others raised, as well as more detailed development of the proposed load forecasting process, system peak and coincidence calculations before any policy change is adopted, much less a proposed change in the CAISO tariff.

2. Maximum Import Capability Methodology

Many thoughtful questions on Maximum Import Capability (MIC) were raised at the March 2 Policy Development Meeting, but not answered definitively; most often, the response was, "this is high level" or "the details need to be worked out." Again, for stakeholders to assess the impact of the Regional RA policy on their interests and take a position to help inform the CAISO's consideration, details matter.

For example, it was asked if the CAISO could provide a list or criteria for what constraints on the interties might be? Will there be changes in how the CAISO calculates the space available at each intertie point? Will California's anticipated load shape change impact the MIC? These and other questions should be answered in detail.

3. Internal RA Transfer Capability Constraints

It was apparent at the March 2 policy development meeting that far more detail is needed on contract path issues and flow issues, and how they are managed, for parties to gauge the impact of an expanded BAA footprint on internal RA transfer capability constraints. For example, will PacifiCorp get a load ration share of a Path 26 constraint? Will California entities get load ratio shares of PacifiCorp's "sub-regional" constraints?

SCE suggested a more fundamental review of whether internal constraints remain necessary in California given the growth of distributed energy resources and the structured local procurement requirements. This should be considered.

4. Allocation of RA Requirements to LRAs/LSEs

Far more detail on how this allocation would occur, the methodology for the coincidence determination and other calculations is needed. This has been a highly contested issue at the CPUC, which has refined its policy for allocating RA requirements over the years, after receiving input from numerous parties. It is not clear how the CAISO would perform this allocation or whether it would do so in an open process with stakeholder input.

The flexible RA requirement is based on the maximum three-hour ramp in any given month. It is an open question how that ramp would be measured – would it be measured in sub-regions? For the entire BAA? Notably, it became apparent at the March 2 meeting that no analysis has been done to support the current CAISO assumption that an expanded ISO with a more regional footprint would have less-steep three-hour ramps. Such analysis is clearly needed as a fundamental support for even undertaking regionalization.

5. Updating ISO Tariff Language to be More Generic

CLECA's comments address the proposed tariff changes more broadly. At the March 2 Policy Development Meeting, the CAISO indicated that it seeks to revise its tariff with FERC approval by the end of 2016 – requesting FERC approval of the tariff filing within 60 to 120 days; CAISO stated that this request to implement the tariff changes would be made regardless of whether any new Participating Transmission Owner had joined. This is very troubling. What if the tariff sections changed but no new PTO joined? Implementation of such sweeping tariff changes should be contingent at a minimum on a new PTO joining. While no specific, draft tariff language is provided, it appears that the contemplated tariff changes would shift jurisdiction from California state agencies to the CAISO, a FERC-jurisdictional entity, for:

- Load Forecasting;
- RA resource counting methodologies;
- Allocation of RA requirements to Load Serving Entities and Local Regulatory Authorities;
- Establishing the Planning Reserve Margin

The Regional RA Straw Proposal, however, characterizes these as “minimal changes are required to the existing structures to develop a framework that works for a multi-state ISO.”⁸ These are not minimal changes. Not only should the implementation of such changes be contingent on the actual expansion of the BAA, their consideration warrants far more time than is currently provided.

The reason given for the rush is: “It is important that the provisions for a multi-state ISO be put in place through an order by the FERC by the end of 2016, so that regulatory outreach can occur

⁸ Regional Resource Adequacy Straw Proposal, at 7.

by early 2017 by entities that may be interested in joining and expanded BAA.”⁹ This is not a sufficient explanation. Why does outreach have to occur by early 2017? Why does implementation have to be complete in 2018? Why is the go-live date apparently set in stone for January 2019? There is no specific reason given that warrants overriding the clear need for more time to develop this and the other market structure initiatives.

6. Reliability Assessment

a. Planning Reserve Margin for Reliability Assessment

The Planning Reserve Margin (PRM) in California is 15-17%; PacifiCorp’s PRM is currently 13%, according to the discussion at the March 2 policy development meeting. The CAISO asserts that a benefit of the expanded, more regional BAA is load diversity, which, according to the CAISO, “should lower the PRM across the broader footprint.” This assumption that load diversity will be able to lower the PRM should be substantiated. Furthermore, if the PRMs continue to differ, there is a real concern that regions with lower PRMs will be able to lean on those with higher PRMs.

The Regional RA Straw Proposal states, “there may be some risk that the ISO’s reliability needs will not be met if entities employ PRMs that are significantly different than the PRM used by the ISO when the ISO conducts its monthly reliability assessment.”¹⁰ Accordingly, the CAISO seeks to set a minimum PRM. CLECA agrees with CAISO that a minimum PRM is needed; how will it be calculated? If the overall PRM is not met, and the “delinquent LSE” does not cure the deficiency, that LSE would be allocated any costs of backstop procurement; CLECA agrees with this in principle but has a significant concern in terms of the CAISO’s determination of “delinquency” or “deficiency”, addressed next.

b. Resource Counting Methodologies for Reliability Assessment

The Regional RA Straw Proposal states, “As part of conducting a reliability assessment, the ISO must have consistent counting rules such that resources in different areas and different technologies are treated comparably. ... the [counting] methodologies would be determined through a transparent and open stakeholder process.”¹¹ There is a current “misalignment” between the Local Regulatory Authority (CPUC) and the CAISO in terms of resource counting of demand response for local reliability purposes; this is being addressed at the CAISO in a BPM appeal process and at the CPUC in the ongoing RA proceeding.¹² Given this current

⁹ Regional Resource Adequacy Straw Proposal, at 9.

¹⁰ Regional RA Straw Proposal, at 13.

¹¹ Regional RA Straw Proposal, at 13.

¹² See pending appeal for Proposed Revision Request 854 for Business Practice Manual Change (codifying in a footnote a 20 minute response time requirement for demand response resources in local capacity areas); *c.f.* CPUC D.15-06-063, at 35 (rejecting such a response time requirement for 2016 and deferring consideration of the issue: “The current DR proceeding is still in the process of making demand response more reliable while the CAISO is in the process of integrating DR resources into CAISO markets. Demand response programs need time to respond to RA rule changes. Given that the Commission is currently evaluating the 2016 Load Impacts for 2016 RA DR values, the current programs, receiving local credit, will have been given no time to respond to this rule change. Given the lag in DR program response time as well as the current market participation uncertainties, we cannot adopt a 20

misalignment, it is difficult to take at face value the statement made at the March 2 policy development meeting that the CAISO doesn't "take issue with the existing counting rules being used now." This issue merits an in-depth discussion in the next iteration and at the next meeting. The CAISO proposed that its "DR counting methodology" for other jurisdictions that allow the use of DR would be "shared"; this sharing should happen sooner rather than later, or the timeline should be changed to allow more time for its consideration and evaluation.

California law requires use of Effective Load Carrying Capability to determine the net qualify capacity of renewable resources; it was suggested that if the CAISO used a different methodology, it would conflict with state law. The CAISO committed to "contemplating how best to deal with that." This contemplation should also happen sooner rather than later, or the timeline should be changed.

It is not clear if the CAISO will use an August Net Qualifying Capacity monthly value for solar resources or if it will change that counting convention. This too should be clarified soon.

c. ISO Backstop Procurement Authority for Reliability Assessment

Not addressed at this time.

7. Other

CLECA appreciates this opportunity to provide input on CAISO's Regional RA Straw Proposal. The schedule should be revised to provide sufficient time for this complex policy development.

minute local dispatch requirement for 2016. However, we do believe that this issue should be re-evaluated in Phase 3 of this proceeding to be considered for future compliance year RA rules.").