

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

| Submitted by | Company | Date Submitted |
|--|--|------------------|
| Mukhles Bhuiyan, M.S., P.E. Assistant Director of Planning and Development (213) 367-2532 | Los Angeles Department of Water and Power | January 11, 2017 |

This template has been created for submission of stakeholder comments on the Draft Regional Framework Proposal for the Regional Resource Adequacy initiative that was posted on December 1, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 11, 2017**.

Please provide feedback on the Regional RA Draft Regional Framework Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.

LADWP Comments

1. The ISO proposes to adjust the Maximum Import Capability (MIC) calculation methodology to address situations where the peak load of a new region in an expanded balancing area occurs seasonally noncoincidental with the peak load of the rest of the system and when there are no simultaneous constraints between certain areas of an expanded balancing area. The ISO also proposes modifications to the MIC allocation process to reflect the ISO's proposed Regional TAC policy and splits the MIC allocation based upon TAC sub-regions that are paying for parts of the underlying transmission in the overall system.

As all loads within the sub-region of an expanded regional ISO will pay the same TAC rate, the CAISO should consider improving on its MIC allocation proposal by creating a mechanism to redistribute the unused MICs allocated to the LSEs within the sub-region to LSEs within the same sub-region that have the need for extra MICs. Such a redistribution mechanism would improve efficiency and prioritize the "use" of the grid for RA purposes based on need, rather than transmission entitlement.

2. The ISO proposes to permit short term capacity arrangements to qualify towards meeting up to 10 percent (%) of an individual LSE's total system RA requirements. This change recognizes the current practices of certain entities and the desire for some flexibility to use

short-term arrangements, while reducing the exposure to potential adverse system reliability impacts. The ISO also proposes a number of protections including enhancing incentives and penalties to ensure resources secured through these short-term arrangements represent capacity available to the ISO.

In regards to short-term RA imports, 10% allowed short-term contracts does seem to be an arbitrary number. LADWP shares the concern of other LSEs that this is may effectively weaken the RA requirement and create a reliability risk. CAISO should evaluate this more carefully and show more evidence that this level would not threaten reliability.

3. The ISO proposes to modify the treatment of forced outages to better align their treatment with the treatment of planned outages relative to the ISO substitution and RAAIM assessment provisions. The ISO also proposes to remove the current restriction that disallows external resources from being used as substitutes for internal resources that have been shown for RA. The ISO believes that these modifications are necessary to provide flexibility and certainty to participants and entities considering the regionalization efforts of the ISO.

On resource substitutions, LADWP shares the concern expressed by PG&E in the stakeholder process that external resource substitutions could provide an incentive for providers to put expensive units on forced outages a procure cheaper resources. Would CAISO consider monitoring resource substitutions and putting a limit on them for individual resources to mitigate this?

4. The ISO proposes uniform counting rules based on assessing the capacity value that each resource type can provide towards meeting the ISO's reliability needs and will be subject to an ISO deliverability assessment.

On uniform counting rules, has CAISO considered a transition period to reduce the shock to LSEs that are using a different methodology that what is currently used by CAISO?

5. The ISO proposes using a probabilistic study to determine a default system-wide planning reserve margin (PRM) target.

On the uniform PRM, it is not clear if the same margin would be appropriate for all subregions within a region as diverse as the WECC. Given that operating reserve requirements for maintaining reliability can vary, has CAISO considered that some subregions could need higher or lower margins even accounting for locational transmission constraints?