

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments to the Second Revised Straw Proposal for the Regional Resource Adequacy initiative that was posted on May 26, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 15, 2016**.

Please provide feedback on the Regional RA Straw Proposal topics:

1. Resource Adequacy Unit Outage Substitution Rules for Internal and External Resources.

NCPA supports CAISO's proposal to allow external resources to substitute for internal resources that are on a forced or planned outage. In its proposal, the CAISO lists three (3) conditions that an external resource would be required to satisfy in order to be eligible to be used as a substitute resource. NCPA agrees with the second and third criteria proposed by the CAISO, but NCPA does not believe that the first condition, whereby an external resource would have to have similar operating characteristics of the outage resource, is necessary. As long as the substitute external resource is not otherwise committed as RA capacity, and the external resource can submit Bids into the CAISO market consistent with the must-offer obligation, the CAISO should be agnostic as to the type of resource that is being used as a substitute (and its associated operating characteristics).

2. Discussion of Import Resources that Qualify for RA Purposes.

CAISO has asked stakeholders to comment on what types of purchases could constitute a "firm monthly commitment" for the purpose of meeting RA system requirements with imports.¹ NCPA reiterates its position that these determinations should be left to the relevant LRAs. However, assuming for the purposes of

¹ Revised Straw Proposal at 11.

discussion CAISO's preferred model of uniform default counting criteria, the question becomes what those criteria should provide with respect to purchases. The question arose because PacifiCorp stated in its written comments on the first revised straw proposal that it considers the capacity contribution from short-term firm market purchases procured at market hubs outside of the BAA in its integrated resource plan (i.e., as providing some degree of resource adequacy).²

Without more detail from PacifiCorp as to the types of transactions for which it seeks consideration, it is difficult for NCPA to assess this question. Short term firm market purchases can encompass a variety of transaction types. CAISO claims that the CAISO Tariff is not specific as to the types of imported resources that can count as RA capacity to meet an RA system capacity requirement.³ This statement is not entirely true. CAISO's current Default Counting Criteria specify, at Section 40.8.1.5, that Firm Energy contracts with liquidated damages provisions (WSPP Schedule C or EEI firm LD contracts) are not eligible to provide Qualifying Capacity. NCPA does not know whether PacifiCorp wishes to have RA consideration for these types of contracts or some other types of purchases. NCPA does not oppose the concept of short-term purchases being eligible to provide Qualifying Capacity, but if PacifiCorp is to have this flexibility, then the default criteria should allow all LSEs to do the same, if permitted by their respective LRAs.

3. Load Forecasting.

In accordance with NCPA's position on deferring to LRA jurisdiction, NCPA believes that it is appropriate and necessary for the CAISO to allow flexibility for LSEs to develop their own load forecasts in a manner that best fits their individual needs. Individual LSEs are likely to be exposed to unique conditions that have a material impact on the development of load forecasts. For example, the local economy and associated variables within a given service area may be dramatically different from the general macroeconomic factors that CAISO would otherwise likely rely on for developing a system wide forecasting methodology. These types of unique factors will have a significant influence on load forecast development. The individual LSE will always be most familiar with its own load patterns and the unique factors that may influence such loads. It will therefore always be best situated to develop the most accurate forecast.

NCPA appreciates the CAISO's clarification that it will only request adjusted forecasts where an LSE's forecast unexplainably diverges from average year, weather normalized load trends.⁴ NCPA also supports the concept that a divergence will mark the initiation of a discussion with the LSE rather than a unilateral revision by the CAISO.⁵

² *Id.*

³ *Id.*

⁴ *Id.* at 15.

⁵ *Id.*

The Tariff should clearly state that discussions with the LRA will precede any CAISO proposal to modify an LSE's forecast.

With regard to the CAISO's proposal to use a 4% divergence threshold (plus or minus 4% of the LSE's average year-over-year change in the previous three years of weather normalized data) to assess performance review of an LSE forecast, NCPA believes that this measure is reasonable provided it is coupled, as proposed, with flexibility and an opportunity for the LSE to explain and discuss the reasons underlying the forecast. Some of NCPA's members are quite small – the city of Biggs has a peak load of approximately 4MW, and 2MW of that load are attributable to the operation of a single rice processing plant. Unexpected changes to the operation of that plant could thus cause a variance of up to 50% of the hourly forecasted load for Biggs in some hours. So long as it is understood that these types of variances are unavoidable for very small loads, the proposal appears reasonable for NCPA.

4. Maximum Import Capability.

NCPA agrees with the concept of the MIC proposal, so long as existing arrangements continue to be respected as described in Step 1.

5. Monitoring Locational Resource Adequacy Needs and Procurement Levels.

NCPA agrees that removal of the zonal RA proposal at this time makes sense.

6. Allocation of RA Requirements to LRAs/LSEs.

NCPA does not have any comment at this time.

7. Reliability Assessment.

NCPA continues to oppose CAISO infringement on the jurisdictional authority of LRAs to determine the planning reserve margins and the resource counting methodologies for their jurisdictional LSEs. The current program has worked well, and CAISO has offered no evidence of a need for change.

- a. Planning Reserve Margin for Reliability Assessment
- b. Resource Counting Methodologies for Reliability Assessment

8. Other.

NCPA opposes the CAISO's proposal to make a "conceptual" filing at FERC for an advisory opinion prior to the filing of actual tariff changes at some later date, after review by a new Regional Board, the structure of which remains to be determined. While NCPA understands that it is not CAISO's intent to deviate significantly from the final proposal after a new Board takes over, there is absolutely nothing in this proposal that would prevent the new Board from choosing an entirely different

direction, rendering this stakeholder process, and the expenditures by stakeholders participating at FERC essentially moot. It would make far more sense for CAISO, the state of California, and potential new PTOs and their LRAs to agree on governance first, and then to allow the new Board to work through a stakeholder process to develop the design that it will ultimately file at the Commission. NCPA would not oppose the concept of holding the outcome of this stakeholder process aside, before or after Board approvals, so that the effort already undertaken here is not lost. When the new Board is appointed, it could then review and approve or amend the proposal and proceed with the development of tariff language prior to a FERC filing, as is usually the case with CAISO filings.

“Parking” the proposal until it can be reviewed by the new Board would also address a second NCPA concern; the potential implementation of the Regional RA changes prior to a new PTO actually joining CAISO. The current resource adequacy program has been very effective, and has resulted in enhanced reliability for California ratepayers. Therefore, NCPA strongly believes that the program modifications contemplated in CAISO's Regional Resource Adequacy initiative should only be implemented only if, and when, PacifiCorp formally joins the CAISO BAA. Appropriate provisions need to be factored into this initiative, or the implementation schedule associated with the outcome of this initiative, that clearly state that the resulting changes will only be implemented in the event that PacifiCorp does, in fact, join the CAISO. Otherwise, the current resource adequacy program is working well and should not be modified.